



State Street Corridor Redevelopment Program

Prepared for
The State Street Alliance
Springfield, Massachusetts

July 2008

W-ZHA **GOODY** ARCHITECTURE
PLANNING **CLANCY** PRESERVATION
ZIMMERMAN/VOLK ASSOCIATES, INC.





**Prepared for the State Street Alliance
Springfield, Massachusetts | July 2008**

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- Chester & Chester Income Tax Service
- Christ Church Cathedral
- City of Springfield
- Classical High Condominium Association
- Comcast
- Community Music School of Springfield
- DeMarco Management Corporation
- Roman Catholic Diocese of Springfield
- Dunbar Community Center
- Early Childhood Centers Inc.
- Giggle Gardens Learning Center
- Hampden Dodge (Balise Motor Sales)
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- International Communion of the Holy Christian Orthodox Church
- Maple-High/Six Corners Neighborhood Council
- Martin Luther King Jr. Community Center
- Mason Square Library Advisory Committee
- Massachusetts Career Development Institute
- MassMutual Financial Group
- MassMutual Center
- McKnight Neighborhood Council
- New England Black Chamber of Commerce
- Northern Educational Services
- O'Connell Companies
- Old Hill Neighborhood Council
- Open Pantry
- Pine Point Community Council
- South Congregational Church
- Springfield Armory National Historic Site
- Springfield Business Improvement District
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- Springfield Museums
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- Valley Real Estate
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- Walgreens
- Wesley United Methodist Church
- Western New England College
- Western Massachusetts Electric Company

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Introduction

Study Purpose

The State Street Corridor Redevelopment Program (“Redevelopment Program”) identifies catalytic projects and initiatives that capitalize on near-term market opportunities. Accordingly, the Redevelopment Program sets forth a framework for revitalizing State Street by implementing a set of Target Redevelopment Projects (“Target Projects”).

The State Street Alliance

The Redevelopment Program was commissioned by the State Street Alliance, an affiliation of business, community and government entities committed to the revitalization of the State Street Corridor in the City of Springfield, Massachusetts. The State Street Alliance, via the Springfield Business Development Corporation, contracted a team of local and national consultants to develop the Redevelopment Program.

The State Street Corridor Study Area

The State Street Corridor Study Area is a 3.2-mile-long, east-west urban thoroughfare extending from West Columbus Avenue (adjacent to the Connecticut River) to Boston Road (near the Massachusetts Mutual Life

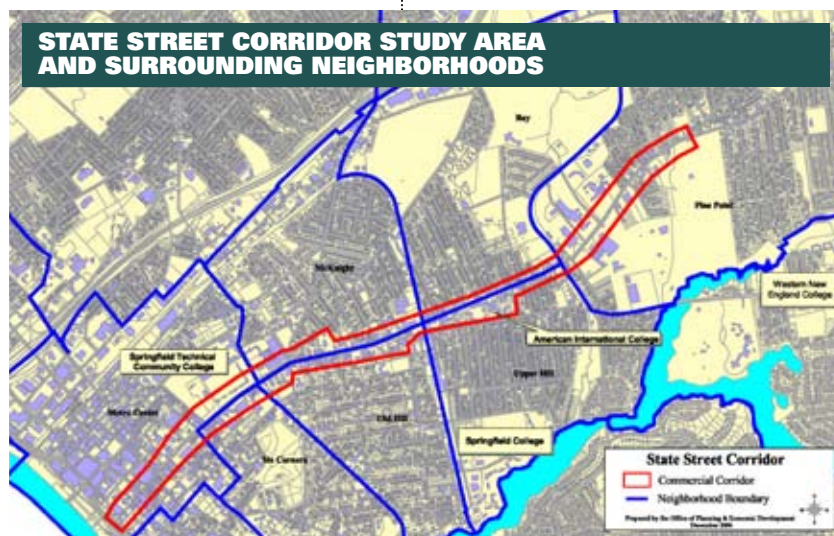
Insurance Company). The Corridor passes through six separate neighborhoods (Old Hill, Upper Hill, McKnight, Bay, Six Corners and Pine Point) as well as a portion of downtown Springfield (Metro Center).

The State Street Roadway Improvement Project

The State Street Corridor Redevelopment Program is intended to leverage and complement the \$13-million State Street Roadway Improvement Project expected to commence construction in summer 2008.

The Roadway Improvement Project will reconstruct State Street within the study area from West Columbus Avenue to Boston Road. It will address both traffic-flow issues and physical conditions along State Street. The specific initiatives to be undertaken as part of the Roadway Improvement Project include carefully designed public improvements (including new sidewalks, street lighting and landscaping); improved safety features for pedestrians and bicyclists; and innovative parking solutions. The Roadway Improvement Project is funded by

the Federal Highway Administration (FHWA), the Commonwealth of Massachusetts and the City of Springfield.



Consultant Team and Study Process

W-ZHA (previously ZHA) in association with a multi-disciplinary consultant team was retained to develop the State Street Corridor Redevelopment Program. W- ZHA specializes in commercial market analysis and joint development implementation. The multi-disciplinary consultant team consists of Goody Clancy Associates (planning and urban design), Zimmerman/Volk Associates (residential market analysis) and Dietz & Company Architects, a local design firm.

The consultant team initiated the study process by conducting one-on-one interviews with major property owners and key stakeholders, including representatives from the Massachusetts Mutual Life Insurance Co. (MassMutual), American International College, Springfield College, Springfield Technical Community College, Springfield Technical Community College Technology Park (STCC Technology Park), the National Park Service, Springfield City Library, Springfield Museums Association, and the Indian Motorcycle project. Interviews and focus groups also were conducted with individuals and organizations with a keen interest in and influence on State Street's future success, including State Street Alliance members, neighborhood residents, religious social service and education providers, property owners and business operators.

Following the initial outreach, State Street's existing physical conditions were analyzed by Goody Clancy and Dietz & Company Architects. A residential market analysis was conducted by Zimmerman/Volk Associates and a commercial market analysis was conducted by W-ZHA. The findings of these analyses and the identification of potential redevelopment sites were presented to the State Street Alliance.

The advantages and disadvantages of various potential redevelopment sites were analyzed in light of market, site, financing and implementation factors. The consultant team presented these findings to the Alliance, and Target Redevelopment Projects and Sites were then identified. At the final project meeting of the Alliance, the consultants presented Target Redevelopment Projects, concept plans, and implementation considerations. This presentation also was given to the mayor of Springfield.

Structure of the Report

Summaries of existing conditions and market opportunities on State Street follow this introductory section. The summary of market opportunities identifies potential redevelopment sites. (Detailed findings of both the existing conditions assessment and the commercial and market analysis are contained in a Technical Memorandum dated February 2008.) The criteria used to evaluate different redevelopment sites are presented after the market opportunity section.

The report concludes with the Target Redevelopment Projects, summarizing the redevelopment concept and its potential benefits for each project. Also summarized are the feasibility of each project and potential sources of funding and/or programs to support implementation.

Existing Conditions Along State Street

Overview

As noted above, there are seven neighborhoods surrounding the State Street Corridor Study Area: Metro Center, Six Corners, McKnight, Old Hill, Bay, Upper Hill and Pine Point. Together these neighborhoods (“State Street Corridor Neighborhoods”) contain approximately 44,000 residents in 15,800 households.

The State Street Corridor neighborhoods are diverse in terms of race and ethnicity. Approximately three-quarters of the households are non-white. Hispanic households represent approximately 30 percent of the neighborhoods’ households. Two-thirds of the households with children in these neighborhoods are non-traditional families headed by either a single parent or a grandparent.

Average income within the State Street neighborhoods is low. In 2006, households in those neighborhoods had a median income 23 percent below the City average.

State Street is a major east-west corridor running from Downtown Springfield to points east. Within the 3.2-mile Study Area from Columbus Avenue to Boston Road, the number of vehicles on State Street ranges from 12,450 to a high average of 29,300 per day¹—the latter on State Street between Walnut and Oak streets.

¹ Average daily traffic counts were obtained from VHB Inc., the lead consultant on the State Street Roadway Improvement Project. The traffic counts were conducted in May 2006.

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INCOME TRENDS IN STATE STREET NEIGHBORHOODS: 1990, 2000, 2006

State Street Neighborhoods	1990	2000	2006
Average Income	\$26,500	\$32,700	\$36,100
Median Income	\$19,800	\$23,400	\$25,700
Per Capita Income	\$9,600	\$12,200	\$13,500
City of Springfield			
Average Income	\$30,700	\$39,600	\$44,100
Median Income	\$25,700	\$30,500	\$33,200
Per Capita Income	\$11,500	\$15,200	\$17,000

Source: Claritas, Inc.; W-ZHA

The type, character and quality of land uses on State Street, within the 3.2-mile Study Area, vary widely. For a commercial corridor the street has an unusually high number of prominent civic, educational, cultural, religious and business institutions. It is unlikely that they will move, making them important “anchors” for State Street. Major institutional anchors located on State Street include:

- MassMutual Center (the City’s convention center, shown below)
- Community Music School of Springfield
- Springfield City Library
- Springfield Museums Quadrangle/Dr. Seuss National Memorial Sculpture Garden
- Springfield Federal Courthouse



MassMutual Center

Springfield City Library (left); courthouse construction (center); Armory National Historic Site (right)



- Springfield Armory National Historic Site
- Springfield Technical Community College
- American International College
- MassMutual Financial Group
- Three public high schools and,
- Numerous religious and non-profit institutions.

Other important anchors not located directly on State Street, but nearby, are:

- Springfield College, and
- Western New England College.

Many of these anchor uses are located in campus settings set back from State Street. This compromises State Street's ability to capitalize on the market opportunities these anchors could offer. A notable exception is the new Springfield Federal Courthouse, which has a prominent on-street presence.

For a street with high traffic counts and 44,000 people living along and near it, the State Street Corridor contains relatively little retail. According to a windshield survey, there is fewer than 200,000 square feet of retail on State Street today. A typical community shopping center contains between 200,000 and 300,000 square feet.

Although housing supply is limited on State Street (as would be expected from a commercial corridor), multifamily residential product predominates among housing that does exist. The quality of the housing ranges dramatically from buildings in poor condition to buildings in excellent condition. There is no pattern to the condition of residential buildings; it is haphazard along the 3.2-mile Corridor. As of spring 2008, no residential projects were planned for development on State Street.

With the exception of MassMutual's headquarters at number 1295, office uses are mostly located on the western portion of State Street, close to the downtown. Liberty Mutual insurance company recently signed a 10-year lease for 55,000 square feet of space at the STCC Technology Park. The space will house a customer call center that will add 300 employees to the 950 employed at businesses within the Technology Park. In addition, a few



MassMutual headquarters

small office buildings are beginning to be renovated in response to the anticipated completion of the new \$70 million, 157,000-square-foot Federal Courthouse designed by Moshe Safdie and Associates.

In terms of image and marketability, State Street's physical condition and its less than favorable image in the eyes of some have posed impediments. The State Street Roadway Improvement Project is intended to improve the physical condition and the appearance of State Street and will be an important initial step toward mitigating negative perceptions and enhancing the street's revitalization potential.



(Far left) blighted sections of the street (will be improved after completion of the roadway project. (Near left) Numerous historic buildings sit adjacent to newer structures that are completely out of character.

One problematic element on State Street is the uneven quality of the built environment. While there are numerous architecturally significant and attractive buildings there, they often abut poorly maintained and/or unattractive structures. The “hodge-podge” character of the Corridor compromises its development potential.

Finally, many people have expressed concerns about public safety relative to State Street and its environs. Whether those concerns stem from perception or reality, they have a negative impact on State Street’s image and potential and they will need to be addressed and/or resolved.

State Street by Sub-Area

The seven Sub-Areas of State Street are:

- Downtown
- Federal Courthouse
- Springfield Technical Community College
- Mid-State Street
- Mason Square
- American International College; and
- MassMutual East.

The challenges and opportunities for redevelopment and revitalization of each Sub-Area are discussed below.

The Downtown Sub-Area

The Downtown Sub-Area of the State Street Corridor is bounded by East Columbus Avenue to the west and Maple Street to the east. This Sub-Area is essentially part of Downtown Springfield. Notable buildings in this Sub-Area are the Community Music School of Springfield, offering music instruction and performance space in an Art



Deco building; the historic and currently vacant Court Square building, once operated as a hotel and then later as a professional office building, and the MassMutual Center, a 6,677-seat arena and convention venue.

The land uses in this portion of State Street are mostly office and institutional uses with vacant storefront spaces across from the rear/service area for the MassMutual Center.

The new owner of 145 State Street plans to adaptively reuse the former office building as a hotel. The Community Music School of Springfield at 127 State Street is planning to incorporate a performing arts venue into its current facility. Both of these projects, when completed, will generate activity during the day and night and have the potential to support existing and potential retail in this Sub-Area.

The City is engaged in identifying a developer for the Court Square building (which includes 3-7 and 13-31 Elm Street). The building has frontage on State Street, west of Main Street.

To revitalize this portion of State Street will require special attention to the dead zone created by the “back of the building operations” of the MassMutual Center. The back of MassMutual Center occupies nearly a block along State Street in this Sub-Area. Lighting, landscaping and other streetscape amenities will be critical to enlivening this stretch of State Street and to reactivating its south side, positioning it to capture retail and restaurant opportunities.



Back edge of MassMutual Center (far left) and the main entry to the Classical Condominiums building (near left).

Federal Courthouse Sub-Area

The Federal Courthouse Sub-Area of State Street is bounded by Maple Street on the west and Byers Street and Myrtle Street on the east. There are numerous notable buildings in this Sub-Area. The buildings include the Springfield City Library, the adjacent Springfield Museums Quadrangle,



St. Michael's Cathedral and Rectory, the new Springfield Federal Courthouse, the City's School Department administration building, and a former Masonic Temple. These uses give this Sub-Area an institutional character.

The City's School Department has outgrown its attractive historic building at 195 State Street, which is well located adjacent to the Downtown. Reportedly, the City is interested in relocating the School Department.

Private uses in this Sub-Area include the Classical High Condominiums at 235 State Street, an adaptive reuse of an old high school as residential space. There are several small office buildings

located across from the new Federal Courthouse. Even though traffic counts are relatively high in this Sub-Area (26,850 average daily trips), there is no retail in the Federal Courthouse Sub-Area.

Immediately east of the new Federal Courthouse is the historic Federal Land Bank building (310 State Street), now privately owned. Reportedly, this property is currently underperforming as an office building, even with adjacent parking.

The former Masonic Temple at 339 State Street was recently purchased by the International Communion of the Holy Christian Orthodox Church as the church's national headquarters. The church plans to preserve the historic building and develop within its walls an 800-seat banquet hall, a religious art gallery and museum, and a 1,500-seat auditorium. The church also owns 145 State Street and plans to redevelop it into a hotel.

Because the Federal Courthouse Sub-Area is adjacent to Downtown and much of its land is occupied by institutional uses, it is one of the more stable Sub-Areas of State Street. Its market position will be further strengthened with the opening of the Springfield Federal Courthouse this summer.

Springfield Technical Community College Sub-Area

The Springfield Technical Community College Sub-Area of State Street is bounded by Byers Street and Myrtle Street on the west and Oak Street and St. James Avenue on the east. The Springfield Armory National Historic Site, Springfield Technical Community College, and the STCC Technology Park occupy the north side of State Street in this



Springfield Armory (far left). The Gunn Block (on the left of photo at near left) sits directly across State Street from STCC.

Sub-Area. These uses are set back from State Street behind a historic wrought-iron fence that dates back to the site's original use as the Springfield Armory. Established in 1794, the Springfield Armory, manufactured its first flintlock muskets the



following year, becoming the first national armory. Today, its museums offer the story of that armory. The museum, with its world-class collection, is located in the circa-1848 Main Arsenal building. Started as a technical reference collection for Armory workers in 1862, the museum highlights many of the best examples of U.S. military shoulder arms plus pistols, machine guns, edged weapons, and production machinery.

Springfield Technical Community College's combined faculty, staff, and full-time-equivalent students total approximately 4,400. The main entrance to the school is on Federal Street with a smaller pedestrian entrance on State Street at the Walnut Street/Federal Street intersection.

There are approximately 950 people employed at the 465,000-square-foot STCC Technology Park. Significant fiber-optic infrastructure runs down State Street and serves the Technology Park, where

Liberty Mutual recently announced that it will locate a 300-employee office.

Across from STCC and the STCC Technology Park, between Walnut Street and Oak Street, there is a mix of land uses including a Burger King, an underutilized office building, a liquor store, an auto service establishment, a car wash and an underutilized retail building. The pedestrian experience is poor here because the land uses do not create a continuous building edge and there are numerous curb cuts. South of these uses on the same block is a 3-acre parking lot owned by the Springfield Technical Community College Assistance Corporation and currently used for student parking for STCC. In this area, State Street itself is quite attractive with a landscaped median.

The Gunn Block on the southwest corner of State and Walnut streets contains some of the oldest buildings in Springfield. This is a prominent corner for those visiting the Springfield National Armory Historic Site, the Community College and/or the STCC Technology Park. The buildings are currently in poor condition.

This Sub-Area is centrally located on State Street, making it accessible to a broad market. State Street traffic counts are highest in this Sub-Area with an average of 29,300 daily trips between Oak and Walnut streets. The existing land use mix does not fully capitalize on this Sub-Area's market potential.

*The Byron's
Funeral Home
building now sits
vacant.*



Middle State Street Sub-Area

The Middle State Street Sub-Area is bounded by Oak Street and St. James Avenue to the west and Buckingham and Hamley streets to the east. This Sub-Area contains a wide variety of land uses, from chain drug stores such as CVS and Walgreen's to the



Springfield Urban League and residential apartment buildings. The character, quality and condition of buildings vary widely on this portion of State Street.

There are a number of buildings in this Sub-Area with minor defects in their exterior condition. The apartment buildings and gas station on the southwest corner of State and Hancock streets are in poor condition.

The former Byron's Funeral Home, currently vacant, is located on the northwest corner of the State Street and Hancock Street intersection. As a historic property, it is likely that the funeral home building will have to be preserved and adaptively reused.

A single property owner owns a considerable amount of underdeveloped land in this Sub-Area. There may be an opportunity to capitalize on this land assemblage, given the Middle Sub-Area's central location on State Street and its excellent access.

Mason Square Sub-Area

The Mason Square Sub-Area of State Street is bounded by Buckingham Street to the west and Rutland Street to the east. Mason Square was historically a community shopping area. The road network and the public open space in the middle makes it feel like a district or a "center." From a functional perspective, Mason Square is in the center of the surrounding neighborhoods. It is also centrally located in relation to the colleges—American International College, Springfield College, and Springfield Technical Community





Aerial view of Mason Square (far left) and the Indian Motorcycle building (at left in near left photo).

College, and, to a lesser extent, Western New England College—and it serves as a significant vehicular connection to the colleges.

In addition to the educational anchors, there are also a number of social service establishments in and in the immediate vicinity of Mason Square (for example, the Urban League of Springfield, the Early Childhood Center of Springfield, Martin Luther King Jr. Community Center, Springfield Partners for Community Action, Massachusetts Career Development Institute). These organizations contribute to State Street’s economic vitality. Reportedly, a number of these organizations have expansion and/or development plans. There may be an opportunity to leverage this educational/social service cluster to support Mason Square’s and State Street’s revitalization.

Currently, Mason Square functions as a neighborhood commercial center; it provides for the day-to-day needs of the immediate neighborhood. The C-Town food store is a neighborhood asset. Other commercial uses include a McDonald’s, a dollar store, storefront offices, a laundrette and an apparel store. There is not sufficient retail at Mason Square to qualify it as a shopping district. However, its central location, physical layout and proximity to the colleges suggest that it could be one.

The historic Indian Motorcycle complex was the site of the original plant for the manufacture of Indian Motorcycle motorcycles. A portion of this historic manufacturing complex now contains 143 residential units (Indian Motorcycle “A”). Another, separately owned portion of the complex has not been renovated—Indian Motorcycle “B”.

Through the tax-foreclosure process, the City of Springfield recently obtained ownership of the vacant Indian Motorcycle “B” building. The environmental condition of the property is not known at this time, and is expected to require further study. There is not sufficient land available on the Indian Motorcycle “A” property to develop the parking necessary to support Indian Motorcycle “B” redevelopment.

There is a high-visibility vacancy in the Mason Square Sub-Area—the former Mason Square Fire Station. This strategically located, 16,600-square-foot, three-story building is a critical anchor for Mason Square. It also serves as a gateway to AIC and Springfield College. Built in 1886, the building is listed in the National Register of Historic Places and the Massachusetts State Register of Historic Properties.

Reportedly in need of significant repair but in relatively good condition, the Fire Station is owned by the City of Springfield. The building has no parking. Redevelopment of the Fire Station is critical to Mason Square’s revitalization and could have a significant impact on the Corridor as a whole.

American International College Sub-Area

The AIC Sub-Area of State Street is bounded by the Mason Square Fire Station to the west and Roosevelt Avenue to the east. There is some overlap between this Sub-Area and the Mason Square Sub-Area because the Fire Station and the Indian Motorcycle project are considered important gateways to AIC as well as anchors for Mason Square.



The vacant fire station at Mason Square (left) and AIC's Sprague Cultural Arts Center (right).



AIC's campus is in the center of this Sub-Area on the south side of State Street. The college's student body comprises approximately 1,450 full-time undergraduates and approximately 500 graduate and part-time students. AIC's athletic fields are located on Roosevelt Avenue, north of State Street and east of Cortland Street.

The AIC Sub-Area contains mostly college facilities and commercial uses, with some neighborhood retail. The retail is a mix of eating and drinking



establishments, convenience and shopper's goods stores and auto-related land uses. Retail is offered in small strip centers or in stand-alone buildings. Auto-related land uses such as repair service and auto sales establishments occupy much of the area east of Cortland Street.

The AIC Sub-Area is challenged from a retail development perspective. Traffic counts are high, but not as high as those on Middle State Street. This Sub-Area is not central to the State Street neighborhoods, and the only major north-south street is Benton Street at the edge of the Sub-Area.

Building conditions vary widely within this Sub-Area. AIC campus buildings are in good condition, but many buildings, particularly east of Cortland Street, have exteriors in substandard condition. There are numerous vacant and underutilized lots that front on State Street in this Sub-Area.

American International College, which recently completed a master plan, has an interest in strengthening the existing campus's linkage with Indian Motorcycle "A" and Mason Square, possibly including the Mason Square Fire Station.

The college is currently leasing several apartment units in the Indian Motorcycle project for student housing and has expressed an interest in redeveloping the Fire Station, acknowledging its potential function as a gateway to the college campus. A westerly expansion of the AIC campus would help to strengthen Mason Square's revitalization potential by drawing the student market to the Square.

At the eastern end of the Sub-Area, AIC's master plan envisions faculty housing and a gateway entrance to its athletic complex east of Cortland Street. While AIC currently owns a significant amount of land east of Austin Street, the master plan suggests the need for additional land assembly on State Street in front of the college's field complex.

The MassMutual East Sub-Area

The MassMutual East Sub-Area of State Street is bounded by Benton Street to the west and St. Michael's Cemetery to the east. The corporate headquarters of MassMutual, Roger L. Putnam



*Putnam Vo-Tech
High School*

Vocational Technical High School, Springfield High School of Science and Technology and Kindred Hospital Park View Nursing and Rehabilitation Center are institutional anchors located on the westerly portion of this Sub-Area. Due east of



MassMutual, the Sub-Area is predominantly commercial in character and is dominated by vehicle-related land uses (service stations, car lots, rental car dealerships). This Sub-Area serves as a transition from the State Street Corridor to the commercially developed Boston Road area.

Market Opportunities

Market Assets and Challenges and Conclusions

From the perspective of the residential, retail and office markets, State Street's assets include:

- **Location and Access.** The State Street Corridor is the city's principal east-west artery, which makes it convenient and highly accessible. High traffic counts, central location, and proximity to major employment centers (Downtown, STCC and STCC Technology Park and MassMutual) make State Street valuable from a real estate development standpoint.
- **Employment.** Each end of the Corridor is within walking distance of major employment centers, including MassMutual on the east, STCC and the STCC Technology Park in the center, and Downtown on the west. Retail, residential and office development benefit from being near employment centers.
- **Neighborhoods.** State Street is surrounded by neighborhoods. Households in these neighborhoods are an important employee and customer base for land uses on State Street, and represent a sizeable constituency whose commitment to State Street should help to accelerate the revitalization process.
- **Institutional presence.** State Street institutions are stabilizing factors that will be supporting State Street and contributing to its potential well into the future. Development risk is reduced by the knowledge that these institutions likely will remain on State Street for some time.

The challenges facing State Street from a market perspective are:

- **Safety concerns.** Many parts of the Corridor are not pedestrian-friendly. Haphazard development and underutilized sites make the Corridor feel unsafe. The physical environment must be improved in order for successful new development to take place.

- **Neglected or vacant properties.** Dilapidated and vacant properties are a deterrent to potential investment along the Corridor, especially residential development, as they contribute to the perception that this area is neglected and dangerous.



Neglected and vacant properties—frequently surrounded by chain-link fencing—contribute to negative perceptions of State Street.

- **Rising Construction Costs.** The rising costs of construction materials, in addition to the typically high cost of adaptive reuse, will drive rents and housing prices beyond the reach of many potential Corridor residents. The cost of bringing product to market is greater than the rate of return; therefore, innovative incentives will be required to make deals work.
- **Lack of public open space.** While there are open spaces along the Corridor, most exist behind fences. Streetscape enhancements planned as part of the State Street Roadway Improvement Project are crucial to creating a vibrant urban boulevard with strong visual appeal.

The detailed findings of the residential and commercial market analyses are contained in Attachments C and D. These market analyses provide an objective assessment of development

potential on State Street over the next 10 years. There is market potential for a variety of land uses on State Street, with differing location criteria among the uses. Figure 2 highlights the siting parameters of marketable land uses.

Market prices are a major barrier to residential development. The residential market analysis concludes that the market will support rents on State Street ranging from \$1.13 to \$1.38 per square foot. The market analysis also concludes that for-sale housing can achieve price points from \$132 to \$185 per square foot. At an average development cost of \$200 to \$220 per square foot it will cost more to develop residential than to sell it—subsidy will be required.

The challenge from an office perspective is to identify parcels capable of offering convenient parking on site. The challenge from a retail perspective relates to scale. To draw more spending from the market to State Street will require developing a critical mass of retail, which could be accomplished in a shopping center configuration or in an urban district setting such as Mason Square. The challenge from a shopping center perspective is to identify land areas of sufficient size to accommodate a critical mass of retail. Land assembly can be expensive and may trigger the need for public subsidy.

From an urban district perspective, the challenge is to achieve a sustainable and complementary tenant mix among a variety of independent property owners. Education, tenant targeting and incentives may be necessary to develop an urban district.

2

STATE STREET MARKET ANALYSIS CONCLUSIONS AND SITING PARAMETERS

Commercial	Square Feet	Siting Parameters
Retail		
Supermarket	55,000-70,000	Center of Trade Area; 4 Acres
Shopper's Goods Stores	5,000-15,000	In Grocery Anchored Shopping Center; In a "District"; Convenient to Target Markets
Eating and Drinking Establishments		
National Chain Restaurant	10,000-20,000	High Traffic Volumes; Major Intersections; 0.5+ Acres
Independent Restaurants	10,000	In Grocery Anchored Shopping Center; In a "District"; Convenient to Target Markets
Subtotal *	80,000 - 115,000	
Office		
Build-to-Suit and Multi-Tenant	30,000	Perceived Safe Environment; Close to Other Office Anchors; Relatively Near Downtown; Site Must Provide Adjacent Surface Parking
Subtotal *	30,000	
Total Commercial	110,000 - 145,000	
Residential	Units	Siting Parameters
Rental Multi-Family	560	Critical Mass of 50+ Units to Reduce Market Risk; Relatively Stable Environs; Adaptive Re-Use of Historic Building
For-Sale Multi-Family	280	Critical Mass of 50+ Units to Reduce Market Risk; Relatively Stable Environs; Adaptive Re-Use of Historic Building
For-Sale Single-Family Attached	210	Relatively Stable Environs
Total Residential	1,050	

* Potentially part of a supermarket anchored shopping center of 70,000 to 100,000 square feet.

Source: Zimmerman/Volk Associates; W-ZHA

Residential Opportunities

The Draw Areas

The depth and breadth of the potential market for new and existing market-rate housing units in the City of Springfield were determined through migration, mobility and target market analyses of households currently located within defined draw areas.

Based on a migration analysis, the draw areas for the City of Springfield and the State Street Corridor have been delineated as follows:

- The primary draw area covers households currently living within the Springfield city limits. Between 10 and 12 percent of those households move to another residence within the city each year.
- The local draw area covers households currently living in the balance of Hampden County. Between 2 and 3 percent of those households, with the financial capacities to rent or purchase

market-rate dwelling units, could move to a residence in the city itself each year—if appropriate housing units were made available.

- The regional draw area covers households with the potential to move to the City of Springfield from Hampshire and Worcester counties in Massachusetts and Hartford County in Connecticut.
- The metropolitan Boston draw area covers households with the potential to move to the City of Springfield from Middlesex, Suffolk, Essex and Norfolk counties in Massachusetts.
- The national draw area covers households with the potential to move to the City of Springfield from all other U.S. counties and the Commonwealth of Puerto Rico. Between 2,900 and 3,300 households move into Hampden County from elsewhere in the United States each year and a small additional number move

from outside the United States. Approximately a quarter of all those households move into the City of Springfield.

As derived from migration, mobility and target market analysis, then, the draw area distribution of market potential (those households with the potential to move within or into the City of Springfield) are shown in Figure 3.

Market Potential

The target market methodology identifies those households with a preference for living in urban neighborhoods. After discounting for those segments of the city's potential market that prefer suburban and/or rural locations, the distribution of draw-area market potential for new and existing units located along the Corridor is shown in Figure 4.

3

SPRINGFIELD, MASSACHUSETTS MARKET POTENTIAL BY DRAW AREA

City of Springfield (Primary Draw Area)	39.5%
Balance of Hampden County (Local Draw Area)	31.8%
Hampshire, Worcester, Hartford Counties (Regional Draw Area)	11.5%
Middlesex, Suffolk, Essex, Norfolk Counties (Boston Draw Area)	4.5%
Balance of U.S. (National Draw Area)	12.7%
Total	100.0%

Source: Zimmerman/Volk Associates, 2007

As determined by the target market methodology (which accounts for household mobility within the City of Springfield and the balance of Hampden County, as well as migration and mobility patterns for households

4

SPRINGFIELD, MASSACHUSETTS STATE STREET CORRIDOR MARKET POTENTIAL BY DRAW AREA

City of Springfield (Primary Draw Area)	46.3%
Balance of Hampden County (Local Draw Area)	24.8%
Hampshire, Worcester, Hartford Counties (Regional Draw Area)	10.0%
Middlesex, Suffolk, Essex, Norfolk Counties (Boston Draw Area)	6.0%
Balance of U.S. (National Draw Area)	12.9%
Total	100.0%

Source: Zimmerman/Volk Associates, 2007

5

SPRINGFIELD, MASSACHUSETTS
STATE STREET CORRIDOR
ANNUAL POTENTIAL HOUSING MARKET

Housing Type	Number of Households	Percent of Total
Multi-family for-rent (lofts/apartments, leaseholder)	560	27.9%
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	280	13.9%
Single-family attached for-sale (townhouses/rowhouses, fee-simple, condo ownership)	210	10.4%
Low-range single-family detached (houses, fee simple ownership)	300	14.9%
Mid-range single-family detached (houses, fee simple ownership)	470	23.4%
High-range single-family detached (houses, fee simple ownership)	190	9.5%
Total	2,010	100.0%

Source: Zimmerman/Volk Associates, 2007

currently living in all other cities and counties), 2,010 younger singles and couples, empty nesters and retirees, and traditional and non-traditional families represent the annual potential market for new and existing housing units located along the State Street Corridor.

The housing preferences of these 2,010 draw-area households—based on tenure (rental/ownership) choices and financial capacity—are outlined in Figure 5.

These 2,010 households make up one quarter of the approximately 7,850 households that represent the potential market for new and existing market-rate units in all of the City of Springfield. These numbers indicate the depth of the potential market for new

and existing housing units along the Corridor, not housing need and not projections of household change. These are the households that are likely to move to new housing along the Corridor if expanded housing options were made available.

Appropriate housing types for

new development along the Corridor include:

- Rental lofts and apartments (multifamily for rent);
- For-sale lofts and apartments (multi-family for-sale); and
- Townhouses, rowhouses, live-work (single-family attached for-sale).

Excluding single-family detached units, then, this analysis has determined that in the year 2007 up to 1,050 households currently living in the defined draw areas represent the pool of potential renters/buyers of new market-rate housing units (new construction and/or adaptive reuse of formerly non-residential structures) developed along the State Street Corridor. As derived from the tenure and housing preferences of those draw-area households,

the distribution of rental and for-sale multi-family and for-sale single-family attached housing types would be as shown in Figure 6.

positioned new housing. Based on a 15 percent capture of the potential market for multifamily units, and a 10 percent capture of single-family attached units, the State Street Corridor could support up to

147 new market-rate housing units per year, as shown in Figure 7.

The annual market capture of 147 new units would require a capture rate of 14 percent

of the 1,050 households, identified through target market analysis, that have the potential to rent or purchase newly-developed market-rate housing units within locations situated along the State Street Corridor. This rate is well within the target market methodology's parameters of feasibility.

Market Capture

Zimmerman/Volk Associates has determined that an annual capture of between 10 and 15 percent of the potential market, depending on housing type, is achievable, given the production of appropriately-

6

SPRINGFIELD, MASSACHUSETTS STATE STREET CORRIDOR ANNUAL POTENTIAL MARKET FOR NEW HOUSING UNITS: MARKET-RATE, HIGHER-DENSITY UNITS

Housing Type	Number of Households	Percent of Total
Multi-family for-rent (lofts/apartments, leaseholder)	560	53.3%
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	280	26.7%
Single-family attached for-sale (townhouses/rowhouses, fee-simple, condo ownership)	210	20.0%
Total	1,050	100.0%

Source: Zimmerman/Volk Associates, 2007

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SPRINGFIELD, MASSACHUSETTS STATE STREET CORRIDOR: ANNUAL CAPTURE

Housing Type	Number of Households	Capture Rate	Number of New Units
Rental multi-family (lofts/apartments, leaseholder)	560	15%	84
For-sale multi-family (lofts/apartments, condo/co-op ownership)	280	15%	42
For-sale single-family attached (townhouses/rowhouses, fee-simple, condo ownership)	210	10%	21
Total	1,050		147

Source: Zimmerman/Volk Associates, 2007

Rent and Price Ranges

Based on the tenure preferences of draw-area households and their income and equity levels, the general range of rents and prices for newly developed market-rate residential units that could currently be sustained by the market appears in Figure 8.

The above rents and prices are in year 2007 dollars, are exclusive of consumer options and upgrades or floor or location premiums, and cover the broad range of rents and prices for newly developed units currently sustainable by the market along the State Street Corridor. These rents and prices represent “market rates”—that is, they are within the economic capability of the target households that represent the current market for new housing

along the Corridor. However, depending on acquisition, development and construction costs, it is probable that many buildings or projects could require financing assistance, subsidies and/or tax incentives to provide units at these rents/prices.

In addition, a project’s specific location on the Corridor can have a significant impact on the values that can be achieved on the site. New units created in the Downtown section of the Corridor, as well as new units created within larger-scale redevelopments at the eastern end of the Corridor, near MassMutual, will carry higher values for both rental and for-sale units than will units developed in the middle section of the Corridor. This is in large part because eastern and western Corridor locations are within walking distance of major employment centers.

8

STATE STREET CORRIDOR: RENT, PRICE AND SIZE RANGE OF NEWLY CREATED HOUSING (ADAPTIVE REUSE AND NEW CONSTRUCTION)

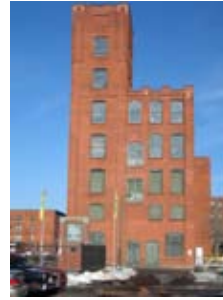
Housing Type	Rent/Price Range			Size Range		Rent/Price Per Square Foot		
Rental								
Live-Work Studios	\$500	-	\$1,300 /month	425	-	1,200 sf	\$1.13	\$1.18
Soft Lofts ^{/1}	\$725	-	\$1,175 /month	550	-	1,000 sf	\$1.18	\$1.32
Apartments	\$825	-	\$1,625 /month	600	-	1,350 sf	\$1.20	\$1.38
For-Sale								
Live-Work Studios	\$75,000 - \$165,000			450	-	1,250 sf	\$132	\$167
Soft Lofts ^{/1}	\$110,000 - \$155,000			600	-	1,100 sf	\$141	\$183
Apartments	\$125,000 - \$325,000			800	-	1,750 sf	\$156	\$186
Townhouses	\$175,000 - \$195,000			950	-	1,250 sf	\$156	\$184
Duplexes	\$185,000 - \$295,000			1,000	-	1,850 sf	\$159	\$185

1. Unit interiors of “soft lofts” may or may not have high ceilings and are fully finished, with the interiors partitioned into separate rooms.

Source: Zimmerman/Volk Associates, 2007



School Department building at 195 State Street



West End of Indian Motorcycle "B" building.

Sites Well-Positioned for Residential Development

- **31 Elm Street.** The City has initiated a developer solicitation process to select a developer for the adaptive reuse of this former hotel/office building, which is located in the Downtown area.
- **The School Department Building (195 State Street).** This City-owned building is located very close to Downtown in the attractive Federal Courthouse Sub-Area. This historic building could be adaptively reused as residential, targeting the same market as the Classical High Condominiums. If it is adaptively reused as a rental project, the developer could leverage historic tax credits.
- **The former Federal Land Bank Building (310 State Street).** This privately owned building is currently used for office space and has adjacent parking. This historic building could be adaptively reused as residential. If it is adaptively reused as a rental project, the developer could leverage historic tax credits.
- **Indian Motorcycle "B" (South Side State Street).** Residential would be the most logical use for this City-owned portion of the Indian Motorcycle complex. Parking and the environmental condition of the building are important potential constraints to its reuse potential. However, historic tax credits and other brownfield funding may be available to support such reuse. The environmental condition of this building must be determined before developers are solicited.

- **State Street (both sides) East of Cortland Street (1146—1204 State Street).** This portion of State Street is very close to both AIC and MassMutual. AIC owns a number of properties in this area and its land holdings and fields could be leveraged to create a critical mass of market-rate residential on both sides of State Street. Residential in this location would increase the customer base for retail in the AIC Sub-Area.
- **Former State Street Bowl Site (1403 State Street).** This site is east of MassMutual. While not a premier residential location, this site could be developed with residential to leverage its proximity to MassMutual.

Office Opportunities

Existing Conditions

Multitenant office uses are concentrated in the Downtown, Federal Courthouse and STCC Sub-Areas of State Street. With the exception of MassMutual, the presence of office space on State Street lessens significantly east of Oak Street.

Multitenant office space in the STCC Technology Park rents for approximately \$13 per square foot, full service. The Technology Park building offers secure surface parking adjacent to it.

A survey of the multitenant office supply was not available for the Springfield market. A previous study conducted by the Urban Land Institute indicated that Downtown office vacancy among Class A buildings is high at 15 percent to 18 percent².

² Urban Land Institute Advisory Services Panel, "Springfield Massachusetts: Strategies for a Sustainable City," 2007.



**STCC Tech Park, viewed
from State Street**

Class A office rents in Downtown Springfield range from \$14 to \$19 per square foot, full service. Comparable suburban office space commands higher rents than does that in the Central Business District. No new speculative office space has been built in Downtown Springfield for 15 years.

There are approximately five small office buildings either under renovation or for lease along the State Street Corridor. State Street's image as an unsafe and uncomfortable environment could compromise the competitive position of office space on the street. In light of this, one commercial broker has suggested that to be successful on State Street, an office building must have secure on-site surface parking. Generally, locations closer to the Downtown are considered most marketable.

The new Springfield Federal Courthouse will help to anchor and stabilize State Street between Maple and Byers/Myrtle streets. While the Courthouse is not expected to spin off considerable office demand, its presence and striking design will enhance office development potential around it.

There are a number of smaller office buildings in the vicinity of the Courthouse with renovated office space for lease. In addition to these buildings there is office space available in the former Wesson Hospital building just south of State Street and the

former Technical High School just north of State Street. With the re-use of these buildings, an office district could evolve around the Springfield Federal Courthouse.

Office Development Potential Methodology

Primary target markets for office space include companies in the following "office-inclined" industries. Employees in the following industries tend to occupy office space:

- Information
- Financial Activities
- Professional and Business Services.

According to Moody's economy.com, as of 2006 there were 42,400 people employed in these industries in the Springfield Metropolitan Area (see Figure 9). Office-inclined employment decreased by 5 percent between 2000 and 2006 in Springfield. This helps to explain the high office vacancy rates.

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SPRINGFIELD METROPOLITAN AREA EMPLOYMENT TRENDS AMONG OFFICE-INCLINED INDUSTRIES, 2000-2006

	2000	2006	Change	
			#	%
Information	6,200	4,700	-1,500	-24%
Financial Activities	14,800	15,200	400	3%
Professional and Business Services	23,700	22,500	-1,200	-5%
Office-Inclined Jobs	44,700	42,400	-2,300	-5%

Source: Moody's economy.com; W-ZHA

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**SPRINGFIELD METROPOLITAN AREA
EMPLOYMENT PROJECTIONS AMONG OFFICE-INCLINED INDUSTRIES,
2000-2006**

	2000	2006	2015	Change from 2000 to 2015	
				#	%
Information	6,200	4,700	5,400	-800	-17%
Financial Activities	14,800	15,200	15,300	500	3%
Professional and Business Services	23,700	22,500	27,200	3,500	16%
Office-Inclined Jobs	44,700	42,400	47,900	3,200	8%

Source: Moody's economy.com; W-ZHA

Employment within these industries is projected to grow between 2006 and 2015 (see Figure 10). By 2016, 3,200 more jobs are projected in office-inclined industries as compared to such jobs in 2000. At 250 square feet per employee, these new employees will demand 800,000 square feet of office space, as shown in Figure 11.

Most of the employment growth is projected to occur in the professional and business service industries. These industries often locate either in high-amenity locations to attract talented staff, follow household growth and stay convenient to the customer base, or in locations convenient to the owners'/managers' residences.

State Street's image issues, particularly east of the Springfield Technical Community College Technology Park, coupled with an over-supply of office space Downtown make it unlikely that significant new office development will occur on State Street. However, build-to-suit

square feet). Larger tenants may be attracted to the Technology Park, given its secure, attractive environment and noteworthy fiber optic infrastructure.

For purposes of planning, approximately 20,000 to 40,000 square feet of new and/or adaptive reuse, small-tenant office use is likely supportable on State Street within the next 10 years (see Figure 11). This projection does not include STCC Technology Park, which may be able to accommodate large tenants. Sites and buildings west of Oak Street are most attractive for office. To be marketable the buildings and sites must be able to provide secure surface parking adjacent to them.

tenants may be attracted to State Street for its great access and affordability; these users likely will be relatively small in size (under 25,000

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**SPRINGFIELD METROPOLITAN AREA
OFFICE SPACE POTENTIAL,
2006-2015**

New Employment	3,200		
Office Space Per Employee	250		
Total Office Space	800,000		
State Street Capture Rate	2.5%	to	5.0%
Square Feet	20,000	to	40,000

Source: Moody's economy.com; W-ZHA

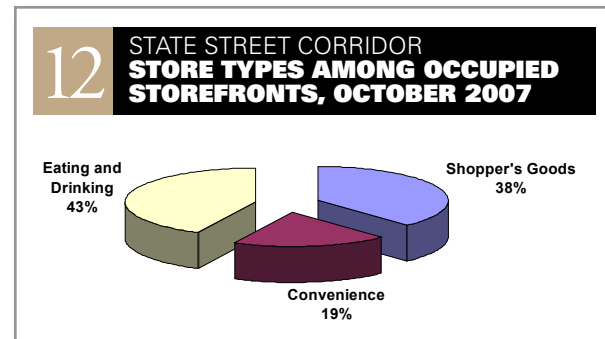
Sites Well-Positioned for Office Development

- **Buildings on State Street across from the new Federal Courthouse (273, 281, and 287 State Street).** These buildings currently can accommodate office tenants. Their market position with regard to office tenants will be strengthened with the development of the Springfield Federal Courthouse across State Street. The use of these buildings for office will increase pedestrian activity in this Sub-Area.
- **Walnut-to-Oak Block.** Office is marketable at this location, particularly if part of a new mixed-use project. This block is across from the Technology Park and within walking distance of the new Federal Courthouse. With retail and services provided as part of a mixed-use project on this block, 10,000 to 30,000 square feet of new office may be marketable at this location.
- **STCC Technology Park.** The Technology Park offers secure surface parking adjacent to multitenant office space. The Technology Park is well-positioned to attract small tenants as well as large tenants such as the recently announced Liberty Mutual call center.

Retail Opportunities

Existing Conditions

There is relatively little retail space on the State Street Corridor. Among the occupied storefronts, 43 percent are occupied by take-out food stores and eating and drinking establishments. 38 percent of storefronts contain businesses selling merchandise that is not food- or drug-related. Only 19 percent



of the storefronts are convenience-oriented (e.g., stores selling food for home, and/or pharmacies). See Figure 12.

Given the existing retail inventory on State Street, retail sales there are estimated to be approximately \$30 million per year, excluding vehicle and gasoline sales. State Street retail sales represent 2.7 percent of the City's non-vehicle-related retail sales even though 29 percent of the City's population resides in the seven State Street neighborhoods.

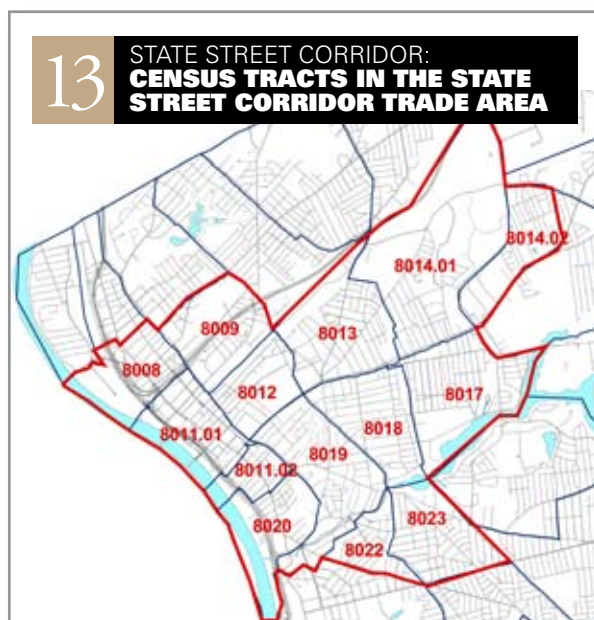
State Street's Market Positioning and Primary Trade Area

Given the location and character of the regional retail competition and the demographic trends among neighborhoods immediately surrounding the State Street Corridor Study Area, State Street is not well-positioned to attract a regional shopping center or a concentrated mix of shopper's goods stores. Such centers are sited in areas where there is strong household and/or income growth, excellent regional highway access, and above-average household income. State Street does not offer these attributes.

Neighborhood and convenience retailers are attracted to locations accessible and visible to a concentration of households. These types of tenants are attracted to sites

in growth areas as well as underserved locations. The area immediately surrounding State Street is an underserved market. Therefore, State Street is well-positioned to attract retailers serving the day-to-day needs of a local market.

State Street's primary trade area is illustrated in Figure 13. The trade area was developed given the location of existing competitive neighborhood and community shopping centers as well as drive-times. The trade area contains census tracts 8008, 8009, 8011.01, 8011.02, 8012, 8013, 8014.01, 8014.02, 8017, 8018, 8019, 8020, 8022, and 8023.



State Street's primary trade area—which is not the same geographic area as that occupied by the seven neighborhoods surrounding the State Street Corridor—contains approximately 56,310 people. The trade area's median

14 STATE STREET PRIMARY TRADE AREA: RETAIL EXPENDITURE POTENTIAL (2006)

	Expenditures /Year
Convenience Goods	
Grocery	\$77,506,000
Health and Personal Care	\$28,297,000
Other (Liquor Stores, Convenience Stores)	\$8,299,000
Subtotal	\$114,102,000
Shopper's Goods (General Merchandise, Apparel, Furniture, Books, Sporting Goods, etc.)	\$143,994,000
Eating and Drinking	\$55,074,000
Total Expenditure Potential	\$313,170,000

Source: Claritas, Inc.; W-ZHA

household income is \$22,800 (which compares to the City of Springfield's median of \$33,250). Even with more modest incomes, households within the primary trade area have the potential to spend \$313 million on retail per year (excluding motor vehicle and gasoline sales and non-store expenditures).

Target Markets' Retail Expenditure Potential

Target markets for State Street Corridor retail include the following groups:

- State Street employees
- College students
- Trade Area residents.

Drive-by traffic is also an important market for auto-related uses such as fast-food restaurants. This section assesses how well the State Street Corridor services the "resident" markets, not the "passerby" market.

Retail expenditure potential is the amount of money a given market should spend on retail given national averages. For households, expenditure potential is analyzed by the U.S. Department of Labor "Consumer Expenditure Survey." Spending varies widely depending on the ages, family composition and income of the households.

College student spending is an area of increased interest. The American Demographics magazine and Student Monitor survey results were applied

in this analysis. The International Council of Shopping Centers has the most widely used data on employees' spending near their places of work.

> **State Street Employees**

There are approximately 5,500 office employees on State Street. There are numerous other non-office employees on the Corridor in community agencies, medical services, retail and service establishments. According to the International Council of Shopping Centers, in 2003 the average downtown white-collar, office employee spent \$2,450 per year near his or her place of work in locations with a limited number of retail outlets. More than half of this amount is spent in eating and drinking establishments.

The office worker market on State Street has the potential for each worker to spend \$2,450 per year in retail near his or her place of work³ ("expenditure potential"). It is important to note that almost two-thirds of the employee market's expenditure potential is generated by MassMutual employees. Given that MassMutual's headquarters contains a food court and sundry retail shops within the building, workers are unlikely to spend the per-capita amount estimated. For this reason, relatively low capture rates have been assumed.

³ *International Council of Shopping Centers, "Office Worker Retail Spending Patterns (2004)"*

> **College Students**

There are approximately 7,000 full-time students within walking distance of State Street at AIC, Springfield College and STCC. According to a survey conducted by American Demographics and the Student Monitor, the average full-time college student spends \$2,560 per academic year on retail. Unlike employee retail spending, which is close to the place of work, student spending is not geographically defined; it can occur near school or in shopping malls. The student market within walking distance of State Street has the potential to spend \$18 million per year on retail. Also, unlike employee spending patterns, with an emphasis on food and drink, more than half of student expenditures are for merchandise. Only 35 percent of student spending is in eating and drinking establishments.

> **Trade Area Residents**

Excluding motor vehicle and gasoline sales, households within the primary trade area have the potential to spend \$313.2 million on retail per year. The breakdown of these expenditures by store type appears in Figure 14.

Trade Area residents account for more than 90 percent of the expenditure potential surrounding

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STATE STREET CORRIDOR: ANNUAL EXPENDITURE POTENTIAL—ALL TARGET MARKETS

Type of Spending	Employees	Students	Trade Area Residents	Total
Shopper's Goods	\$3,685,000	\$8,201,000	\$143,994,000	\$155,880,000
Convenience Goods	\$2,860,000	\$3,620,000	\$114,102,000	\$120,582,000
Eating and Drinking	\$7,920,000	\$6,278,000	\$55,074,000	\$69,272,000
Total	\$14,465,000	\$18,099,000	\$313,170,000	\$345,734,000

Source: W-ZHA

State Street, as shown in Figure 15. State Street's retail revitalization will depend largely on its ability to successfully serve the resident market.

Retail Market Potential

As Figure 16 highlights, there is the potential to support between 80,000 and 115,000 square feet of additional retail on State Street today.

The market analysis concludes that there is sufficient market demand in the primary trade area to support both C-Town neighborhood grocery store and a supermarket of 55,000 to 70,000 square feet. A supermarket-anchored shopping center of 70,000 to 100,000 square feet is market supportable and is best located in the center of the primary trade area between Mason Square and Walnut Street. The center's size will depend largely on site size.

Much of the shopper's goods potential on State Street would best be located within a neighborhood-serving shopping center with a supermarket anchor drawing patronage to the benefit of the shopper's goods stores.

Other shopper's goods retail is best located near other retail stores—in a "district." A cluster of stores helps to establish an area as a shopping destination. The best place for this to occur is at Mason Square on State Street. Mason Square is centrally located to Trade Area residents and the student market at AIC, Springfield College and STCC.

Given its strategic location and district-like layout and existing retail base, Mason Square is also well-positioned for small, independently operated restaurants. The market analysis concludes that there is a market to support an additional 10,000 square feet of independently operated, eating and drinking establishments.

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STATE STREET CORRIDOR: RETAIL CONCLUSIONS AND SITING PARAMETERS

Store Type	Square Feet	Siting Parameters
Supermarket	55,000-70,000	Center of Trade Area; 4 Acres
Shopper's Goods Stores	5,000-15,000	In Grocery Anchored Shopping Center; In a "District"; Convenient to Target Markets
Eating and Drinking Establishments		
National Chain Restaurants	10,000-20,000	High Traffic Volumes; Major Intersections; 0.5+ Acres
Independent Restaurants	10,000	In Grocery Anchored Shopping Center; In a "District"; Convenient to Target Markets
Total *	80,000 - 115,000	

* Potentially part of a supermarket anchored shopping center of 70,000 to 100,000 square feet.

Source: W-ZHA

State Street also has the market to support two to three (10,000 to 20,000 square feet) chain restaurants. These restaurants will seek sites at key intersections like State Street and Thompson, State Street and Oak Street, and/or State and Benton Streets.

Sites Well-Positioned for Retail Development

- ***The Gunn Block (463 to 477 State Street).***
The historic Gunn Block currently contains a mix of retail uses in three separately owned buildings, some with housing on the upper floors. The retail mix, however, does not fully leverage this location's retail potential. Because of the inferior condition of most of the buildings in this block, it will be difficult to attract higher quality retail to this location. The revitalization potential of the Gunn Block would be greatly enhanced by a critical mass of quality retail development across Walnut Street.
- ***The Walnut-to-Oak Block (479 to 559 State Street).*** This block is well-positioned for retail development. It is in the center of the trade area and daily State Street traffic counts approach 30,000 at this location. Oak and Walnut streets are important north-south connector streets.



A Burger King occupies the northwest corner of the Walnut-to-Oak Block.

Both Springfield Technical Community College (with a daytime population of 4,400) and the STCC Technology Park (with more than 1,000 employees) represent significant captive markets that are currently untapped.

- ***Gas Station/Key Program Property (560 to 580 State Street).*** For many of the same reasons listed for the Walnut-to-Oak Block (access, central location, nearby captive markets), this property assemblage could capitalize on near-term retail market opportunities. At this time, however, the Key Program (580 State Street) reportedly has no plans to move from its current State Street location, which makes near-term redevelopment unlikely.
- ***Pleasant-to-Thompson Block (623 to 668 State Street).*** This 4.3-acre block contains a Kentucky Fried Chicken restaurant, office space and a house. More than three-quarters of this block is under single ownership. This block is central to the trade area with strong north-south access via Hancock Street and is well-positioned for retail development.
- ***Byron's Funeral Home property (670 State Street).*** From a retail perspective, the land under Byron's Funeral Home is valuable. Without the building, this important corner parcel could be assembled with the Pleasant-to-Thompson Block to create a premier shopping center site. At this time, because the Byron's Funeral Home is historic, and in light of the Springfield Historical Commission's recent denial of a request to demolish it, it is assumed that the building will remain on this corner. Although the site itself is well-positioned for retail, the existing building is not and may be more suitable for professional offices.



River Inn Motel (far left) and the AIC District as viewed from above.

- **River Inn Motel (700 State Street).** As with the Byron's site, the land under the River Inn Motel is valuable from a retail perspective. This parcel would be an excellent stand-alone restaurant site if the motel were demolished.
- **The former Mason Square Fire Station (Corner of Wilbraham Road and State Street).** The ground floor of the Fire Station, currently boarded up and vacant, is one of the most visible spaces on State Street. It would be an excellent location for a café and neighborhood gathering place. While there is no parking at the Fire Station site itself, there is parking available throughout the Mason Square District.
- **Mason Square District.** Mason Square is the most pedestrian friendly area on State Street. It is central to many neighborhoods and schools. Leveraging the C-Town shopping center and the City-owned Fire Station, Mason Square has the potential to evolve into a small urban retail and entertainment district. This evolution will not involve demolition and new development, but rather improvements to existing buildings and the repositioning of existing tenant spaces.
- **AIC District (870 to 1146 State Street).** There is no critical mass of retail in this portion of State Street. There are, however, small shopping centers (State Street Plaza and the Banknorth Shopping Center) and a variety of establishments serving the nearby neighborhood and AIC students. These uses need to be preserved, enhanced and expanded to create a quality environment in this Sub-Area.
- **The Aquarius Banquet Hall (1219 State Street).** This property is on the southwest corner of State and Benton streets, a very prominent retail location. The banquet hall appears to operate infrequently, making this prime retail location significantly underutilized. The reactivation or reprogramming of this corner site to a restaurant use could help to draw area employees to State Street.

Target Redevelopment Site Identification

Evaluation Criteria

As a result of the market analyses, a total of 22 sites were identified as having residential, office and/or retail development potential. To identify the Target Redevelopment Projects, each potential site was “scored.” The scoring helped to prioritize the potential redevelopment projects. The criteria were as follows:

- **Market Feasibility.** If a site or group of sites was judged to be uniquely qualified to satisfy an identified market opportunity it scored a “5.” If a site or group of sites possessed all of the site characteristics a particular use demands, it received a score of “3.” If a site was well-positioned from a market perspective, but had flaws, it received a score of “2.” If a site was not competitive from a market perspective it received a score of “1.” The creation of a market-driven redevelopment program is the primary goal behind the State Street Corridor Redevelopment Program.
- **Financial Feasibility.** On a preliminary basis, the financial feasibility of developing each potential site for its targeted use was assessed. Assuming reasonable land values, if the site’s redevelopment was feasible without subsidy, it achieved a score of “3.” If feasibility was likely with available incentives such as those listed in the following section, the site achieved a score of “2.” If feasibility would require an unusual amount of subsidy due to the site’s age, environmental contamination, etc., it received a score of “1.”
- **Intervention Potential.** A conventional, privately owned development site received a score of “1.” If a site or a group of sites is owned or partially owned by the City, a quasi-public or nonprofit organization, it received an additional point in this category. It is assumed that public-sector and nonprofit owners would require lower investment returns, enhancing project feasibility. If a site or group of sites was well-positioned to capitalize on existing financial incentives such as brownfields funding, low-income tax credits and/or historic tax credits, it scored an additional point.
- **Catalyst Potential.** If redevelopment of a site or a group of sites had the potential to enhance the redevelopment of adjacent sites by securing or changing the immediate area’s market position, the site received a score of “3.” If the site’s redevelopment would not significantly change market dynamics in the Sub-Area, it received a score of “1.”
- **Ability To Cure a Real or Perceived Problem.** This category addressed sites where the existing land use (or lack thereof) has a negative impact on neighboring land uses. Redevelopment of high-profile sites (such as the Fire Station on Mason Square or the Gunn Block in the STCC Sub-Area) or properties that are currently vacant, underutilized or blighted received a score of “3.” Redevelopment of sites that (1) negatively influence their environs or (2) have come to symbolize State Street’s challenges scored a “2.” Sites that are not deleterious to neighboring uses scored a “1.”

Target Redevelopment Projects

Development opportunities that scored the highest number of points were:

- *31 Elm Street*, where the developer solicitation process is under way by the City to identify a developer for the adaptive reuse of this building.



Parcels along State Street between Cortland Street and Roosevelt Avenue.



145 State Street

- *145 State Street*, where redevelopment of the property as a hotel is proposed.
- *The School Department building*, because there is adaptive reuse potential and likely advantages associated with City ownership and the historic character of the building.
- *The Walnut-to-Oak Block*, because it is one of only two sites on the State Street Corridor large enough to accommodate a supermarket-anchored shopping center.
- *The Pleasant-to-Thompson Block*, because it is one of only two sites on State Street large enough to accommodate a supermarket-anchored retail shopping center.
- *The Fire Station*, not necessarily because of its ability to satisfy the market, but because its redevelopment would remove this highly prominent vacancy and represent the rebirth of Mason Square as a vital community asset.
- *The Mason Square blocks*, because there is an opportunity to reposition and/or improve these blocks, with ample parking behind them, to better leverage Mason Square's retail district potential.
- *Indian Motorcycle "B,"* with sufficient parking, because successful revitalization will capitalize on market opportunities and contribute to enhancing the development potential of properties nearby.
- *Parcels on the north and south sides of State Street between Cortland Street and Roosevelt Avenue* (near AIC's athletic fields and MassMutual), because there is residential market potential and the redevelopment of these parcels could act as a catalyst for future investment nearby.
- *Aquarius Banquet Hall Property* because it is an under-utilized, lynchpin site between MassMutual and the AIC Sub-Area.

Since redevelopment plans for 31 Elm Street (the Court Square Building) and 145 State Street are essentially under way, these projects were not considered Target Redevelopment Projects. Further, the Court Square Building is considered a Downtown project that will capture residential market potential that has been calculated in a separate Downtown residential market analysis.

The Target Redevelopment Projects for the *State Street Corridor Redevelopment Program* are:

- The School Department Building.
- The Walnut-to-Oak Block.
- The block between Pleasant and Thompson streets.
- Indian Motorcycle "B" and the former Mason Square Fire Station.
- Parcels abutting State Street between Cortland Street and Roosevelt Avenue near AIC's fields.
- The Mason Square District.
- The AIC District.
- Aquarius Banquet Hall.

It is important to note that the Gunn Block's redevelopment was considered important to remove a "perceived problem." This block has historical significance, is highly visible from STCC, and is in relatively poor condition and owned by multiple parties. It was not selected as a Target Redevelopment Site because its redevelopment was judged to be infeasible from both a market and financial perspective. It was determined that the best near-term strategy was to target redevelopment efforts on the adjacent block between Walnut and Oak streets. The successful redevelopment of this site will greatly enhance the redevelopment potential of the Gunn Block by making it more marketable and more valuable from a market perspective.

Major Potential Financing Tools

As will be evident in the following section, most of the Target Redevelopment Projects are not feasible without public subsidy. The following paragraphs summarize the methodology employed to determine project feasibility and then summarize the major sources of public funding.

Financial Feasibility Assumptions

Successful real estate projects must generate sufficient return to justify the investor's time, money and risk. For revenue-generating projects (in other words, rental projects, not for-sale projects), the simplest and most common method for getting a snapshot of a real estate deal's economics is by using the "return-on-cost" ratio. This method, which divides the net operating income into the development cost, does not deal with time, capitalization rates, financing, etc. It is a simple calculation that deals with the heart of the matter—the income that the asset can produce compared to the cost of developing the asset.

On for-sale products, financial returns depend largely on the strength of the market and type of developer. An industry average is a return of 20 percent to the for-sale developer. This means that the sales price is 20 percent higher than the total development cost.

Net operating income is defined as revenue less operating costs. It does not include debt service. Most retail leases pass through to the tenants a vast majority of operating expenses. Office projects vary—some charge full-service rents that cover all operating costs, while others charge triple net rent,

which means the tenant is charged an additional amount to cover property taxes, maintenance and operating expenses. Rental residential projects typically include in their rent operating costs such as maintenance and property taxes, but not utilities.

The return-on-cost threshold for rental projects is comparable to what the Korpacz Real Estate Survey calls the "overall capitalization rate (OAR)" or initial rate of return on an all cash transaction. According to the Korpacz survey, as of the fourth quarter of 2007, investors in the Boston office market accepted OARs from 4.50 percent to 10.5 percent, with the average OAR at 7.2 percent. Investors in the rental apartment market accepted OARs from 3.50 percent to 8.0 percent, with the average OAR at 6.6 percent

In the predevelopment, feasibility stage of development, an acceptable ratio between net operating income and development cost for office space is between 7.5 percent and 8.5 percent. Rental residential tends to be lower at 7.0 to 8.0 percent. These thresholds are higher than the OAR average because these are planning thresholds, not actual thresholds. When planning a project, higher investment thresholds are assumed to compensate for risk.

If a Target Redevelopment Project's economics cannot satisfy the "return-on-cost" thresholds, subsidy likely will be required. Typical sources of public subsidy for urban redevelopment projects are highlighted in the following section.

17

**NEW MARKET TAX CREDIT ELIGIBILITY:
CENSUS TRACTS ABUTTING STATE STREET**

Census Tract	Poverty Rate	% of Benchmarked Median Family Income	Unemployment Rate	Qualifies Under Low-income Census Tract	Qualifies as Deeper-Distressed Census Tract	Target Redevelopment Project
8011.01	44.2%	25.3%	9.5%	Yes	Yes	
8011.02	29.4%	31.9%	5.4%	Yes	Yes	
8012	40.6%	30.9%	21.7%	Yes	Yes	
8013	35.0%	35.1%	15.7%	Yes	Yes	Pleasant-to-Thompson Block; Fire Station; Part of Mason Square District
8014.01	37.6%	34.4%	9.6%	Yes	Yes	Indian Motorcycle "B"; AIC District; Eastern Gateway
8014.02	16.6%	60.5%	10.4%	Yes	Yes	
8017	18.8%	57.8%	7.1%	Yes	Yes	Part of Mason Square Dist.
8018	39.3%	38.3%	13.4%	Yes	Yes	Walnut-to-Oak Block; Part of Mason Square District
8019	45.6%	29.1%	16.6%	Yes	Yes	School Dept. Building

Source: National Development Council; W-ZHA

Major Public Financing Tools**New Market Tax Credit Program**

Passed by Congress in 2000 as part of the Community Tax Relief Act, the New Market Tax Credit program (NMTC) was designed to stimulate investment in commercial real estate and business ventures located in low-income urban and rural areas. The NMTC program provides individual and corporate taxpayers a credit against federal income taxes for qualified equity investments (QEI). These credits amount to 39 percent of the investment over seven years. These investments are made through investment vehicles called community development entities (CDEs).

New Market Tax Credits target commercial uses, with eligibility criteria based on project location. The program defines low-income communities that are eligible for investments as:

1. A census tract with a poverty rate of at least 20 percent.
2. A metropolitan area census tract with median income below 80 percent of the median for the metropolitan area or the statewide median, whichever is greater.

Projects in areas of "deeper distress" have a better chance of getting New Market Tax Credits. To qualify, the census tract must meet one of three criteria:

1. A poverty rate of at least 30 percent.
2. A median family income that does not exceed 60 percent of the median family income for the metropolitan area.
3. An unemployment rate at least 1.5 times the national average.

All of the State Street Target Redevelopment Projects are located in census tracts that satisfy the NMTC eligibility criteria. The locations of all of the Target Redevelopment Projects satisfy the "deeper

distress” criteria. The census tracts listed in Figure 17 directly abut State Street in the Study Area.

New Market Tax Credit funds can be invested as debt or equity in a real estate deal. In terms of debt, literature suggests that the interest rate under the NMTC program is 2 percent to 3 percent lower than conventional debt. The upfront discounted value of the NMTC program tax credit is 25 percent to 30 percent. For purposes of the preliminary financial analyses, it is assumed that the NMTC program will contribute 26 percent in equity to an eligible project.

Historic Tax Credits

A number of the Target Redevelopment Projects involve the adaptive reuse of older buildings (School Department Building, Indian Motorcycle “B” and the Fire Station). The Federal Historic Preservation Tax Credit Program provides tax credits for the rehabilitation of historic, income-producing properties.

The Historic Tax Credit program can apply to residential or commercial uses. Under the provisions of the Federal Tax Reform Act of 1986, a 20 percent tax credit is available for the substantial rehabilitation of commercial, agricultural, industrial, or rental residential buildings that are certified as historic. The major criteria to qualify for the Federal Historic Preservation Credit are:

- *“Historic” building.* A building is considered “historic” if it is listed on the National Register of Historic Places or if the National Park Service (NPS) determines that it contributes to the character of a National Register historic district.
- *Income-producing purpose.* Income-producing properties are rental projects. The property must

be a rental project for five years after the credit is given. Therefore, rehabilitation of a historic building for condominiums would not be eligible for historic tax credits, unless the condominium conversion happened after five years.

- *Satisfaction of program standards.* The building’s rehabilitation must comply with program standards. The NPS, in conjunction with the Division of Historic Preservation, determines if a project meets the standards.
- *Eligible expenses.* The developer can only claim the tax credit for eligible expenses. The cost of all work on the historic buildings, inside and out, is eligible for the credit. The cost of site work, such as landscaping or paving, and the cost of work on non-historic additions are not eligible expenses.
- *Maintained ownership.* The applicant must maintain ownership of the building and maintain the building’s historic character for five years.

In addition to the Federal Historic Tax Credit, there is the Massachusetts Historic Rehabilitation Tax Credit program. Under the state program a certified historic rehabilitation project is eligible to receive up to 20 percent of the eligible rehabilitation cost in state tax credits. There is an annual cap at the state level, so there are selection criteria that ensure the funds are distributed to the projects that provide the most public benefit.

Community Development Block Grant Section 108 Loans

Section 108 is the loan guarantee provision of the Community Development Block Grant (CDBG) program. Section 108 provides communities with an efficient source of financing for housing rehabilitation, economic development and large-

scale physical development projects. The City can use its annual CDBG entitlement grant as security for the 108 note. The City of Springfield may borrow up to five times its annual CDBG entitlement grant award. Essentially, Section 108 is a gap-financing tool for projects generating significant community benefits.

Eligible Section 108 activities are: acquisition of improved or unimproved real property, rehabilitation of real property owned or acquired by a public entity, clearance and demolition activities, site preparation and installation of improvements and utilities that are related to a redevelopment activity, or that are for economic development purposes, housing rehabilitation, economic development activities (including those carried out by a Community-Based Development Organization) and the acquisition, construction, reconstruction, or installation of public facilities (except for buildings for the general conduct of government).

Projects eligible for Section 108 loans must benefit low- and moderate-income persons or aid in the elimination or prevention of slums or blight, or meet community development needs having a particular urgency. The project must show clear evidence that sufficient net operating income will be generated to cover all loan debt service to ensure that future CDBG funds will not have to be used to pay debt service. All of the Target Redevelopment Projects could be eligible for Section 108 loans.

Urban Center Housing Tax Increment Financing

The Urban Center Housing Tax Increment Financing Program (UCH-TIF) is a Massachusetts program designed to encourage increased residential growth, affordable housing and commercial growth in urban and commercial centers. The UCH-TIF program gives cities and towns the ability to promote residential and commercial development in commercial centers through tax increment financing. In Massachusetts, tax increment financing provides a real estate tax exemption on all or part of the increased value (the “Increment”) of the improved real estate.

An important purpose of the program is to increase the amount of affordable housing for households with incomes at or below 80 percent of area median income. The program requires that 25 percent of the new housing produced as a result of the project be affordable, although DHCD may approve a lesser percentage where necessary for the financial feasibility of a housing development.

In order to take advantage of the program, a city or town must adopt a detailed UCH-TIF Plan for certain designated areas that are predominantly commercial with high business or commercial use (the “UCH-TIF Zone”). The UCH-TIF Plan must demonstrate the need for multi-unit housing in the UCH-TIF Zone and must contain detailed development plans, including executed agreements with property owners who will be undertaking new development and who will be receiving tax increment exemptions (“UCH-TIF Agreements”).

When there a residential development proposal by a developer on State Street, State Street could be designated as a “UCH-TIF Zone.”

Tax Increment Financing (TIF) and District Improvement Financing (DIF)

Tax increment financing (TIF) and district improvement financing (DIF) are economic tools that promote redevelopment by use of public/private partnerships. TIF offers tax breaks to developers, while DIF channels tax dollars into targeted redevelopment districts.

To stimulate business growth and foster job creation, the state has created the Economic Development Incentive Program, designed to attract and retain businesses in designated Economic Target Areas. One tool to attract business is *tax increment financing* (TIF), a negotiated property tax exemption based on a percentage of the value added through new construction or significant improvements. TIFs can be used on commercial and mixed-use projects. With mixed-use projects the tax exemption applies only to the commercial and/or industrial portions of the project.

TIF Projects must be in an Economic Target Area (ETA) approved by the Economic Assistance Coordinating Council (EACC). Projects must also be located within an Economic Opportunity Area (EOA). An EOA is a site-specific area designated by the municipality that has a particular need and priority for economic development. Certification of the TIF Plan is issued by the EACC after the plan is accepted by the municipality.

The City of Springfield is an ETA and has adopted the following tax increment financing goals:

1. Stimulation of creation of permanent jobs paying above the average per-capita income for Springfield.
2. Redevelopment of existing brownfield, commercial or industrial real estate properties.
3. Reconstruction, renovation, and/or demolition of vacant commercial or industrial real estate properties.
4. Encouragement of the expansion of existing businesses.
5. Attraction of new businesses, including
 - a. Industrial
 - b. Commercial—Downtown only
 - c. Research facilities
 - d. Service—Professional
 - e. Hotel
 - f. All other

The City of Springfield is a designated Economic Target Area, and the State Street Study Area could be designated an Economic Opportunity Area(s) to support target projects that are commercial in nature.

With *district improvement financing* the City can pledge all or a portion of tax increments to fund district improvements over time. A tax increment is the difference between the beginning assessed value of the targeted property in its dilapidated state and the assessed value going forward in time, as the planned improvements take shape.

To utilize DIF the City must first designate a development district and a corresponding development program. The district and program must then be certified by the State Economic

Assistance Coordinating Council (EACC). A development district may be as small as one parcel or may constitute up to 25 percent of a town's or city's land. A district can be in effect for a maximum of 30 years. Each district must have a unique development program. The development program spells out the goals of the district and the means to achieve them. The program will identify:

- existing uses and current zoning,
- proposed uses and any needed zoning changes,
- any planned construction or renovations,
- current and planned infrastructure,
- a financial plan.

Once a district and program have been certified, the city or town may use various tools to implement the program. These include acquiring land, constructing or reconstructing improvements (such as buildings, roads, schools and parks), incurring indebtedness and pledging tax increments and other project revenues for repayment of these debts.

Springfield Employer-Assisted Program

The Massachusetts Department of Housing and Community Development (DHCD) assists employers who promote affordable housing in their communities. DHCD recently joined with MassMutual, Baystate Health, American International College and Springfield College to help 20 to 25 employees per year per employer purchase homes in the State Street Corridor or the City's North End. The state has committed up to \$150,000 to this program, which is administered by the nonprofit group Springfield Neighborhood Housing Services.

Under this agreement, the state will match the employer's contribution dollar-for-dollar. MassMutual has agreed to fund up to \$10,000 per employee; Baystate Health, \$7,500 per employee; Springfield College and AIC, \$5,000 per employee each. These funds are matched by the state and structured as five-year forgivable loans with 20 percent forgiven each year. These funds can be used for the down payment and/or the closing costs for the purchase of a home.

To qualify, employees have to be in good standing with their employers and have a household income at or below 110 percent of the area median income. Borrowers are required to invest at least 1.5 percent in equity, and mortgage financing must be at fixed rates. The residential price points supportable on State Street are affordable to households earning incomes at that level.

This program enhances homeownership opportunities for households with average incomes, and it supports sustainability, as employees reside near their place of work. Employers benefit from neighborhood stability and employee productivity.

Small Business Loan Fund

The City of Springfield plans to create a small-business loan fund capitalized by a Community Development Block Grant (CBDG) in partnership with the National Development Council (NDC). While the proposed "Grow Springfield Fund" program has yet to be finalized, it is being developed under the NDC's Grow America Funds (GAF). GAF provides SBA-guaranteed credit to small businesses in partnership with client communities nationwide—in this case through the Grow Springfield Fund.

The Grow Springfield Fund will act as a community development bank to support the creation or expansion of eligible small businesses. To be eligible businesses must be located in underserved urban or rural areas such as State Street. The fund program also supports minority- and women-owned businesses. The small-business loan fund and local development funds will play a critical role in facilitating redevelopment and fostering small-business development on the State Street Corridor. The fund is expected to be in operation by this summer.

Façade Improvement Program

Many communities offer a façade improvement program in targeted redevelopment areas, but the City of Springfield does not currently have one. Such programs typically target property owners or tenants interested in preserving and restoring commercial structures and storefronts. Such a program in Springfield would help in revitalization efforts along the Corridor and facilitate the emergence of a vibrant urban district by improving the appearance of building façades. Better aesthetics increase property values, improve the marketability of space within the buildings and draw patrons to the area. A targeted State Street Corridor façade improvement program would stimulate private investment and foster image-making improvements for State Street's commercial properties.



Results of a façade-improvement program in Portland, Oregon.

Target Redevelopment Projects: Redevelopment Concept, Implementation and Feasibility

In this section each of the Target Redevelopment Projects is described in terms of its development program, impacts and feasibility. It is important to note that all of the information in this section is illustrative in nature. The development programs reflect the findings of the market analyses and respond to each target site's size. The redevelopment concept plan for a given Target Redevelopment Site is one among many potential land use solutions. Therefore, at the time of development, the actual mix of uses and the site plan may well differ from what is illustrated herein.

Rents as well as for-sale price points are based on the findings of the market analyses and industry averages. Operating expenses are based on industry averages. Because this effort did not entail design studies or building evaluations, development and/or renovation costs are illustrative and based on industry averages.

Annual property tax revenue estimates apply the appropriate City property tax rate to the estimated property value. The estimated property value for for-sale product is the market sales price. To estimate the value of income-producing properties (or rental properties) the net operating income is capitalized by 8 percent.

The redevelopment concept is described for each Target Redevelopment Project. The City and community benefits derived from such redevelopment are then summarized. The feasibility of the Target Redevelopment Project

is then tested assuming conventional private development. Feasibility analyses are presented for most of the target projects except for the two commercial districts—Mason Square and AIC districts—and the Aquarius Lounge site. The Aquarius site is already operating as a restaurant, although intermittently. The redevelopment concept envisions full-time restaurant operations.

Target Redevelopment Project: The School Department Building



The Springfield Library and Museums Association parking lot and 195 State Street from above.

Redevelopment Concept

The School Department Central Administration Building is located at 195 State Street. Currently, the City owns this attractive, historic building. The City is interested in moving the School Department to another location. The redevelopment concept envisions adaptive reuse of the building to produce approximately 30 rental apartments. Institutional or office uses are other options for the future re-use of this building. The unit count is a rough estimate given the location of windows in the building; no building inspections were undertaken. A parking ratio of approximately 1.5 parking spaces per unit was deemed market-supportable. At this rate 30 units would require approximately 45 spaces. The concept plan incorporates 44 parking spaces dedicated to the residential project.

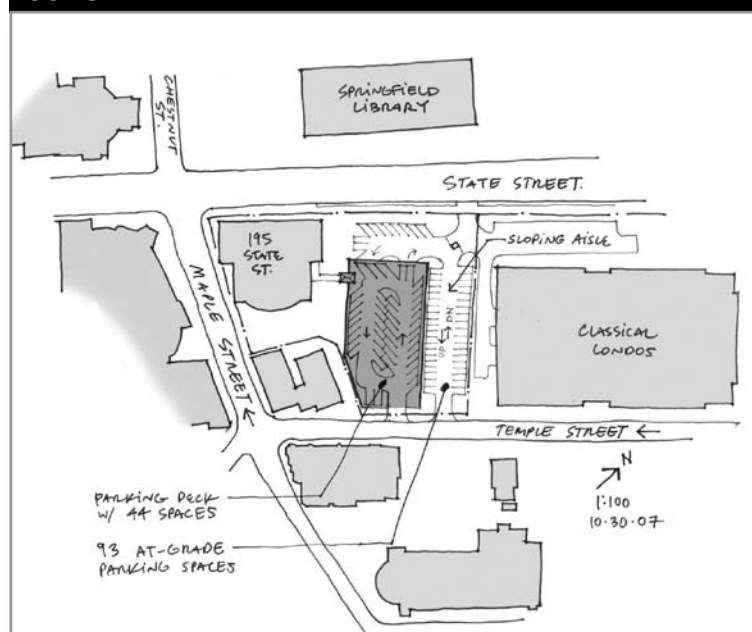
Rental units are necessary to leverage historic tax credits that apply only to income-producing properties. The rental units could be converted to condominiums after the five-year tax credit window closes. These apartments will complement the Classical High Condominiums located directly east of the surface parking lot.

The concept envisions developing deck parking spaces (not structured) on the Springfield Museums' adjacent parking lot. Site topography will allow a deck to be developed on top of that lot. The deck's entrance would be from Temple Street, allowing an easy split between library-related and residential parking.

To implement the project will require a joint effort of the City of Springfield and the Springfield Library and Museums Association, which will

TARGET REDEVELOPMENT PROJECT

SCHOOL DEPARTMENT ADMINISTRATION BUILDING— CONCEPT PLAN



TARGET REDEVELOPMENT PARCELS SCHOOL DEPARTMENT ADMINISTRATION BUILDING



benefit from the 18-hour cycle of activity that residential use creates.

From a development feasibility standpoint, it will be necessary for the City to convey the School Department building to a developer at a nominal cost. Development rights to the Springfield Library and Museums Association's parking lot also are assumed to convey at a nominal cost to the developer.

Redevelopment Benefits

Redevelopment benefits of this project are that it:

- Capitalizes on market potential for housing at a market-tested (Classical High Condominiums) State Street location.
- Provides market-rate housing within walking distance of downtown Springfield, the region's central business district and an employment center.
- Converts a tax-exempt property into a taxable use generating approximately \$52,800 per year in City property tax revenues or more than a half-million dollars in property tax revenues in 10 years.
- Restores and preserves a property of historic, architectural and aesthetic value.
- Leverages the open space and cultural assets of the Quadrangle as residential amenities.
- Extends the cycle of activity in the Federal Courthouse Sub-Area.
- Potentially creates a market that could help to support a café in this portion (Maple to Byers/ Myrtle streets) of State Street.

- Provides for rental housing in the short term with the opportunity to convert to owner-occupied housing after five years.

Redevelopment Feasibility

Base Case Scenario

The highest supportable rent on State Street was identified as \$1.38 per square foot in the residential market analysis. The analysis notes that rents could be higher closer to the Downtown and employment centers. For purposes of the financial feasibility analysis a rent of \$1.50 per square foot is assumed for the School Building because of its location adjacent to the Downtown. This is an attractive location as proven by the high sale prices commanded at the Classical High Condominiums project just up from the School Department Building on State Street.

Development costs are assumed to range from a low of \$200 to a high of \$230 per gross square foot. These development costs are based on industry standards and a recent cost estimate provided for the Mason Square Fire Station.

The redevelopment concept assumes deck parking, which is essentially a parking lot on stilts. There is no ramp system. The parking deck is accessed via Temple Street, which is at a higher elevation than State Street. Deck parking is assumed to cost \$10,000 per space to develop (at the low end) to \$15,000 (at the higher end of the cost spectrum). Deck parking is more expensive than surface parking (\$2,500 to \$5,000 per space) but considerably less expensive than a structured parking garage (\$28,000-plus per space). Once again, the cost of deck parking is based on professional development experience and industry averages.

Adapting the School Department Building to a residential building is estimated to cost between \$5.75 million and \$6.77 million. The cost estimate assumes that the project will not bear the cost of land and building acquisition. Even with no cost ascribed to acquisition of the property, the adaptive reuse of the School Department building will require a development subsidy. As illustrated in Figure 18, the return on cost ranges from 3.9 percent to 4.6 percent, which does not meet the threshold of 7.0 to 8.0 percent for residential development (see prior Financial Feasibility Assumptions discussion).

Historic Tax Credits

To enhance the financial feasibility of the project, the School Department is well-positioned to capitalize on historic tax credits. These credits apply only to the building renovation, not to parking development. The scenario in Figure 19 illustrates the impact that the use of federal and state historic

tax credits could have on the adaptive reuse of the School Department Building.

The historic tax credits improve the project's economics; the return on cost increases from 3.9 to 4.6 percent under the base scenario to 5.5 to 6.5 percent with historic tax credits. The tax credits, however, do not provide enough subsidy to satisfy private investors' 7 percent to 8 percent investment threshold.

Other Potential Incentives

There may be an opportunity to use tax increment financing on the School Department Target Redevelopment Project. This incentive could reduce the property tax burden on the project, estimated at approximately \$52,800 per year. If all of the property taxes were forgiven under the Urban Center Tax Increment Financing program, the project may be worth pursuing from an investor's perspective; it achieves a return on cost of 7.8 percent under the lower-cost scenario, as shown in Figure 20.

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PRELIMINARY FINANCIAL FEASIBILITY—SCHOOL DEPARTMENT SITE BASE CASE SCENARIO

Development Program				
Estimated Building Size	26,500 square feet			
Rentable Space	22,525 square feet			
Number of Units	30 units			
Number of Parking Space @ 1.5 spaces /unit	45 spaces			
Development Cost				
	Low		Moderate	
Land	\$0	na	\$0	na
Development Cost Building /Gross Square Foot	\$200	5,300,000	\$230	\$6,095,000
Development Cost Parking /Space	\$10,000	450,000	\$15,000	\$675,000
Total Development Cost	\$5,750,000		\$6,770,000	
Operations				
Gross Income	\$1.50	\$405,450	\$1.50	\$405,450
Net Operating Income @ 65% of Gross Income		\$263,543		\$263,543
Return-On-Cost (Net Operating Income/Total Development Cost)		4.6%		3.9%

Source: W-ZHA

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PRELIMINARY FINANCIAL FEASIBILITY—SCHOOL DEPARTMENT SITE
HISTORIC TAX CREDITS**Development Program**

Estimated Building Size	26,500 square feet
Rentable Space	22,525 square feet
Number of Units	30 units
Number of Parking Space @ 1.5 spaces /unit	45 spaces

Development Cost

	Low		Moderate	
Land	\$0	na	\$0	na
Development Cost Building /Gross Square Foot	\$200	5,300,000	\$230	\$6,095,000
Development Cost Parking /Space	\$10,000	450,000	\$15,000	\$675,000
Total Development Cost		\$5,750,000		\$6,770,000
Federal Historic Tax Credit @ 20% Eligible Cost ¹		-\$848,000		-\$975,200
State Historic Tax Credit @ 20% Eligible Cost ¹		-\$848,000		-\$975,200
Net Development Cost		\$4,054,000		\$4,819,600

Operations

Gross Income	\$1.50	\$405,450	\$1.50	\$405,450
Net Operating Income @ 65% of Gross Income		\$263,543		\$263,543
Return-On-Cost (Net Operating Income/Total Development Cost)		6.5%		5.5%

1. Equity is assumed to be 80 percent of the tax credit amount.

Source: W-ZHA

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PRELIMINARY FINANCIAL FEASIBILITY—SCHOOL DEPARTMENT SITE
HISTORIC TAX CREDITS AND COMMERCIAL AREA TIF PROGRAM**Development Program**

Estimated Building Size	26,500 square feet
Rentable Space	22,525 square feet
Number of Units	30 units
Number of Parking Space @ 1.5 spaces /unit	45 spaces

Development Cost

	Low		Moderate	
Land	\$0	na	\$0	na
Development Cost Building /Gross Square Foot	\$200	5,300,000	\$230	\$6,095,000
Development Cost Parking /Space	\$10,000	450,000	\$15,000	\$675,000
Total Development Cost		\$5,750,000		\$6,770,000
Less: Historic Tax Credit @ 40% Eligible Cost		-\$1,696,000		-\$1,950,400
Net Development Cost		\$4,054,000		\$4,819,600

Operations

Gross Income	\$1.50	\$405,450	\$1.50	\$405,450
Net Operating Income @ 65% of Gross Income		\$263,543		\$263,543
Plus: 100% Property Tax Forgiveness		\$52,800		\$52,800
Adjusted Net Operating Income		\$316,343		\$316,343
Return-On-Cost (Net Operating Income/Total Development Cost)		7.8%		6.6%

Source: W-ZHA

Target Redevelopment Project: Walnut-to-Oak Block



The Walnut-to-Oak Block with State Street in the foreground.

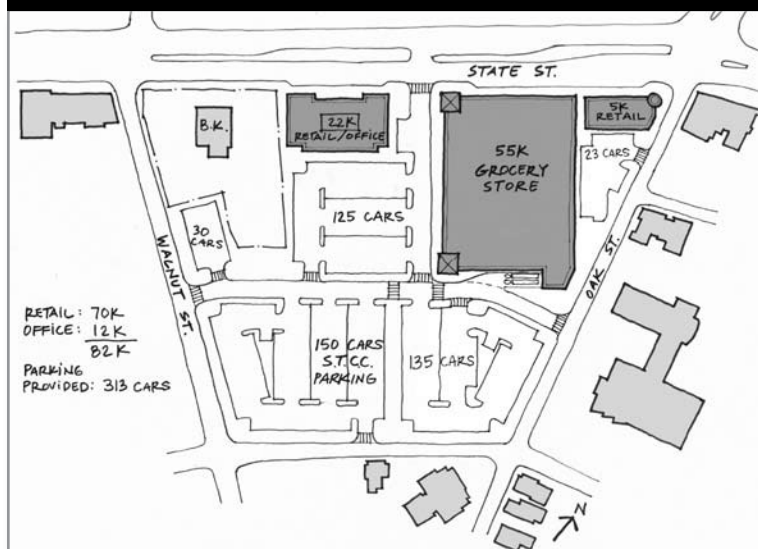
Redevelopment Concept

The Walnut-to-Oak Block consists of 7.06 acres under the control of 10 separate owners. The STCC Assistance Corporation owns a 300-car surface parking lot totaling approximately 3 acres within the block. Other existing land uses include the former A&P building, which is currently being used for office space, a liquor store and an auto-service operation, a car wash, the former Allied Carpet building that has a bank branch and a new dollar store tenant and two houses. All of these properties would need to be acquired in order to undertake this Target Redevelopment Project. A Burger King occupies the northwest corner of this block, but, in order to reduce land assembly cost, it is not part of the Target Redevelopment Project.

This centrally located site is within the existing Federal Square Urban Renewal Area. The concept is to redevelop this site as a supermarket-anchored shopping center with some second-level office space on State Street. Of the 300 existing parking spaces, 150 could be preserved on site for STCC's continued use if necessary. A parking lot for approximately 150 cars could be developed on the north side of State Street closer to STCC and the Technology Park. These replacement spaces would be considered part of the cost to implement the Target Redevelopment Project. For purposes of the financial analysis, these replacement spaces are assumed to be deck spaces on STCC-owned or Technology Park-owned land.

The Target Redevelopment Project incorporates a supermarket of approximately 55,000 square feet, 16,000 square feet of additional retail and service space and 11,000 square feet of office space. Surface parking is assumed at a parking ratio of four spaces per 1,000 square feet. The concept plan is illustrated below.

TARGET REDEVELOPMENT PROJECT WALNUT-TO-OAK BLOCK— CONCEPT PLAN



It is assumed that STCC and the STCC Assistance Corporation will be willing to trade a portion of their land on the site for construction of more conveniently located spaces north of State Street.

Redevelopment Benefits

The redevelopment benefits of this project are that:

- A supermarket-anchored shopping center would provide convenient access to goods and services for nearby residents (and employees). This need is demonstrated in the residents' petition for a supermarket. This Walnut-to-Oak Block is central to those households that are most underserved.
- The Target Project Site represents one of the few opportunities on State Street to assemble a land mass of sufficient size to accommodate a supermarket-anchored shopping center.
- The project capitalizes on the site's superior location:
 - > The highest traffic volume on State Street is at this location.
 - > Both Oak and Walnut are high-traffic, north-south streets.
 - > The site is central to all of the State Street Corridor neighborhoods.
 - > The site sits across from the Armory National Park, STCC and the Technology Park.
- Redevelopment will enhance the entrance to Springfield Technical Community College and the Technology Park and, with success, likely will provide the market impetus to improve the Gunn Block.
- The site is within an existing urban renewal area, which is advantageous from a land-assembly standpoint. A major urban renewal plan change may be required to assemble the properties for the project.
- A supermarket-anchored shopping center of approximately 77,000 square feet (including

TARGET REDEVELOPMENT PARCELS WALNUT-TO-OAK BLOCK



11,000 square feet of office space) will employ approximately 220 people. This is based on industry averages whereby retail stores employ a full-time-equivalent employee for every 400 square feet and there are 250 square feet per office employee.

- Given the assumed net operating income of the project, the redevelopment of the Walnut and Oak streets area will generate annual property taxes of a half million dollars (\$514,000) per year for the City of Springfield.
- Given its community and economic benefits as well as its location within a "highly distressed" census tract, this Target Redevelopment Project is a strong candidate for New Market Tax Credits.

Redevelopment Feasibility

Base Case Scenario

An illustrative range of development costs has been applied to the Walnut-to-Oak Block redevelopment. These estimates are illustrative because land-assembly costs are not known and detailed design has not taken place.

Industry averages for building and demolition costs have been applied. For land assembly, cost factors were applied to each property's assessed value. The land assembly costs include the cost of building 150 spaces of deck parking at \$10,000 per space (low-cost scenario) and \$15,000 per space (high-cost scenario).

The rents are assumed to be triple net, meaning that all property taxes, operating and marketing costs are

passed through as additional charges to tenants. A 5 percent vacancy rate is assumed on the non-supermarket retail space.

If acquisition and development costs are consistent with the low-cost scenario (see Figure 21), the project may be able to be financed without public subsidy; it satisfies the 7.5 percent investment threshold. Under the high acquisition and development cost scenario the project will achieve

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PRELIMINARY FINANCIAL FEASIBILITY—WALNUT-TO-OAK BLOCK BASE CASE SCENARIO

Development Assumptions

Estimated Building Size	77,000 square feet
Rentable SF	77,000 square feet
Parking Spaces Surface	313 spaces
Replacement STCC Spaces Deck	150 spaces

Development Costs

		Low		High	
Land Assembly Costs (Including STCC Parking Replacement)					
STCC Parking Replacement			\$1,500,000		\$2,250,000
Private Property			<u>\$3,946,540</u>		<u>\$4,553,700</u>
Sub-Total Replacement Pkg and Land			\$5,446,540		\$6,803,700
Demolition		<u>\$5</u>	\$195,500	<u>\$7</u>	\$273,700
Development Cost Building	<u>GSF</u>				
Supermarket	55,000	<u>\$130</u>	\$7,150,000	<u>\$150</u>	\$8,250,000
Retail	16,000	<u>\$150</u>	\$2,400,000	<u>\$200</u>	\$3,200,000
Office	11,000	<u>\$150</u>	<u>\$1,650,000</u>	<u>\$200</u>	<u>\$2,200,000</u>
Sub-Total Building			\$11,200,000		\$13,650,000
On-Site Parking			<u>\$782,500</u>		<u>\$782,500</u>
Total Land, Demolition, Building, On-Site Parking			<u>\$17,624,540</u>		<u>\$21,509,900</u>

Operations

Gross Income	Rent /SF		
Supermarket	\$15.00	\$825,000	\$825,000
Retail	\$23.00	\$368,000	\$368,000
Office	\$15.00	\$165,000	\$165,000
Total Gross Income		\$1,358,000	\$1,358,000
Net Operating Income @ 95% of Gross Income		\$1,290,100	\$1,290,100

Return-On-Cost (Net Operating Income/Total Development Cost)	7.32%	6.00%
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Source: W-ZHA

Development Assumptions					
Estimated Building Size			77,000 square feet		
Rentable SF			77,000 square feet		
Parking Spaces			313 spaces		
Replacement STCC Spaces			150 spaces		
Development Costs					
		Low		High	
Land Assembly (Including STCC Parking Replacement)		\$5,446,540		\$6,803,700	
Demolition		\$5	\$195,500	\$7	\$273,700
Development Cost Building	GSF				
Supermarket	55,000	\$130	\$7,150,000	\$150	\$8,250,000
Retail	16,000	\$150	\$2,400,000	\$200	\$3,200,000
Office	11,000	\$150	\$1,650,000	\$200	\$2,200,000
Sub-Total Building			\$11,200,000		\$13,650,000
On-Site Parking		\$2,500	\$782,500		\$782,500
Total Land, Demolition, Building, On-Site Parking			\$17,624,540		\$21,509,900
Less: New Market Tax Credit @ 26%			-\$4,582,400		-\$5,592,600
Net Development Cost			\$13,042,140		\$15,917,300
Operations					
Gross Income	Rent /SF				
Supermarket	\$15.00		\$825,000		\$825,000
Retail	\$23.00		\$368,000		\$368,000
Office	\$15.00		\$165,000		\$165,000
Total Gross Income			\$1,358,000		\$1,358,000
Net Operating Income @ 95% of Gross Income			\$1,290,100		\$1,290,100
Return-On-Cost (Net Operating Income/Total Development Cost)			9.89%		8.11%

Source: W-ZHA

a return on cost of 6.25 percent—below the target of 7.5 percent to 8.5 percent. If costs are consistent with the high-cost scenario, the project must receive public subsidy to attract private investment.

New Market Tax Credits Scenario

The Walnut-to-Oak Block redevelopment is well-positioned to take advantage of New Market Tax Credits. The Walnut-to-Oak Block is in Census Tract 8018. 39 percent of the households in this census tract are in poverty and 13 percent of the labor force is unemployed. The census tract qualifies as an area of deeper distress, therefore, it is well-positioned to receive New Market Tax Credits.

The tax credits contribute to debt service as well as generating equity for the project. According to interviews with professionals familiar with structuring New Market Tax Credit deals, it is reasonable to assume that the Tax Credit equity amounts to 26 percent of development cost. Given the nature of the financial feasibility analysis herein, only the New Market Tax Credit's equity impact has been analyzed. New Market Tax Credits will contribute \$4.6 million to \$5.6 million in equity to help cover development cost. See Figure 22.

With New Market Tax Credits, a return-on-cost threshold of between 8.11 percent and 9.89 percent is achieved; the project is worth pursuing.

Target Redevelopment Project: Pleasant-to-Thompson Block



Redevelopment Concept

The Pleasant-to-Thompson Block is an alternative location for a supermarket-anchored shopping center. With 4.3 acres, this site is smaller than the Walnut-to-Oak Block redevelopment site (6.8 acres). The Target Redevelopment Project concept plan contains a 55,000-square-foot supermarket and approximately 5,000 square feet of additional retail and service space. The existing and successful

Kentucky Fried Chicken restaurant could be re-located to the new retail space.

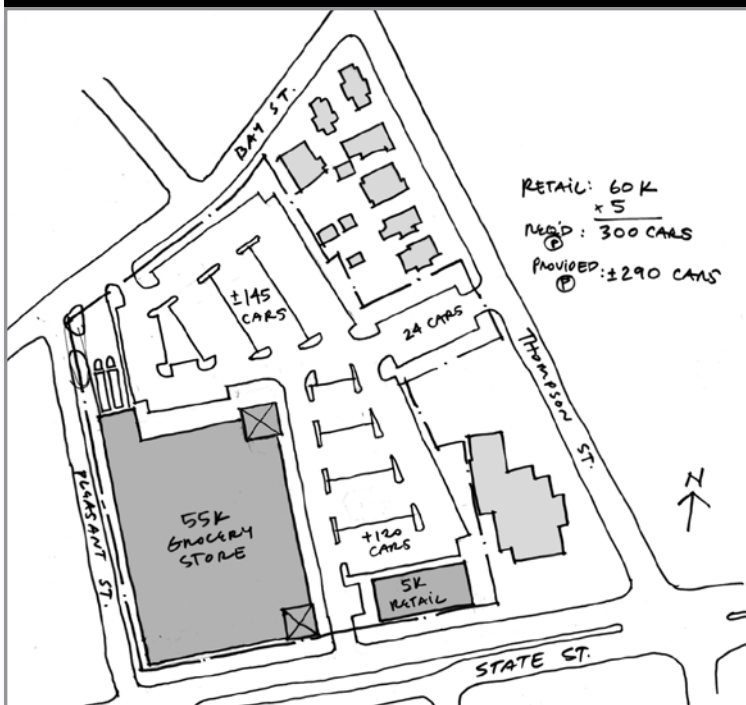
The concept plan for this Target Redevelopment Project does not incorporate the former Byron's Funeral Home building on the northwest corner of the Thompson and State Street intersection. Byron's Funeral Home is a historic structure and, as such, is preserved. While the funeral home site is valuable from a retail perspective, the building itself is not, unfortunately, well-suited for retail use. If the Byron's building were not historic, the redevelopment concept would incorporate this parcel to increase the size of the shopping center.

This Target Redevelopment Project is important to strengthen this portion of State Street. The land uses

across State Street from the target site were identified as “problem” sites by the community. An old gas station there no longer sells gas, but sells convenience goods. Adjacent to the station on the southwest corner of the Thompson/State intersection is an older apartment house in need of repair. On the northeast corner is the River Inn Motel (700 State Street), which operates like a single-room occupancy hotel. The River Inn Motel property is valuable from a retail perspective; it would make an excellent location for a stand-alone, full-service restaurant. Reuse of the property for retail would require demolition of the motel.

With significant retail development on the Pleasant-to-Thompson Block, the market position and value of nearby properties will change. The Target

TARGET REDEVELOPMENT PROJECT PLEASANT-TO-THOMPSON BLOCK— CONCEPT PLAN



TARGET REDEVELOPMENT PARCELS PLEASANT-TO-THOMPSON BLOCK



SOURCE: CITY OF SPRINGFIELD; W-ZHA

Project will accelerate the process of revitalization to the benefit of the community and nearby property owners.

A key advantage of this Target Redevelopment Project is its relative ease of implementation. One owner controls almost 80 percent of the site.

The City of Springfield owns one of the two lots on Thompson Street. Three privately owned parcels would need to be acquired in order to implement the Pleasant-to-Thompson Block Target Redevelopment Project. They are:

- 666 State Street (currently a restaurant).
- A lot on Thompson Street; and
- 89 Bay Street (currently a residence).

The parcels at 666 State Street and 89 Bay Street are zoned commercial and the lots on Thompson Street are zoned Residential B. The latter designation is intended to accommodate single-family detached and two-family dwellings of medium densities. Implementing this Target Redevelopment Project would require that the residential properties be rezoned for commercial.

If the supermarket-anchored shopping center were to locate on the Walnut-to-Oak Block, then this Target Redevelopment Site is well-positioned to attract convenience retail and stand-alone restaurants.

Redevelopment Benefits

The redevelopment benefits of this project are:

- A supermarket-anchored shopping center would provide convenient access to goods and services for nearby residents. As is the Walnut-to-Oak Block, the Pleasant and Thompson Street location is central to those households that are most underserved.
- The Target Project Site represents one of the few opportunities on State Street to assemble a parcel large enough to accommodate a supermarket with ancillary retail.
- The Target Project capitalizes on the site's great location:
 - > The traffic volume on State Street is high at this location.
 - > Thompson Street is an important north-south street.
 - > The site is centrally located in the heart of the Corridor.
- As a community anchor, the Target Project will enhance the physical, functional, social and economic environment surrounding it.
- The estimated 150 jobs generated by the Target Redevelopment Project will expand the economic opportunities available to nearby residents.
- At a market value in excess of \$10 million, the supermarket and complementary retail will generate approximately \$364,660 in annual property tax revenue for the City of Springfield.
- Given its community and economic benefits as well as the project's location within a highly distressed census tract, the Target Redevelopment Project is a strong candidate for New Market Tax Credits.

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PRELIMINARY FINANCIAL FEASIBILITY—PLEASANT-TO-THOMPSON BLOCK BASE CASE SCENARIO

Development Assumptions				
Estimated Building Size			60,000 square feet	
Rentable Space			60,000 square feet	
Parking Spaces			240 spaces	
Development Costs				
		Low		High
Land Assembly		\$1,813,000		\$2,092,000
Demolition		\$5	\$120,000	\$7
Development Cost Building	GSF			
Supermarket	55,000	\$130	\$7,150,000	\$150
Retail	5,000	\$150	\$750,000	\$200
Office	0	\$150	\$0	\$200
Sub-Total Building			\$7,900,000	\$9,250,000
On-Site Parking			\$600,000	\$600,000
Total Land, Demolition, Building, On-Site Parking			\$10,433,000	\$12,110,000
Operations				
Gross Income	Rent /SF			
Supermarket	\$15.00		\$825,000	\$825,000
Retail	\$18.00		\$90,000	\$90,000
Total Gross Income			\$915,000	\$915,000
Net Operating Income			\$910,500	\$910,500
Return-On-Cost (Net Operating Income/Total Development Cost)			8.73%	7.52%

Source: W-ZHA

Redevelopment Feasibility

Base Case Scenario

An illustrative range of development costs has been applied to the Pleasant-to-Thompson Block Target Redevelopment Project. These estimates are illustrative because land assembly costs are not known and detailed design has not taken place. The building development costs per gross square foot and demolition costs are the same as those applied to the Walnut-to-Oak Block Redevelopment Project. Land assembly costs were based on City assessed values, but were assumed to be higher. Surface parking, not structured parking, is assumed. The feasibility analysis assumes a third-party developer; it does not assume that the majority land owner develops the project.

As with the Walnut-to-Oak Block Redevelopment Project, retail rents are assumed to be triple net,

with operating expenses passed through to the tenant. A 5 percent vacancy rate is assumed on the non-supermarket retail space. The rent for that space is assumed to be \$18 per square foot—lower than the rent assumed for the Walnut-to-Oak Block Project (\$23 per square foot) because there is less retail programmed for this location. A full complement of retail strengthens the drawing power of a retail center. Another comparative disadvantage to this site is the absence of a significant employee and student market within walking distance.

As Figure 23 shows, the Pleasant-to-Thompson Block Target Redevelopment Project may not require public subsidy. Given reasonable development cost and rental rate assumptions, the net operating income of the project justifies the development cost. The return-on-cost ratio falls within the 7.5 percent to 8.5 percent investment threshold.

Target Redevelopment Project: The Mason Square Fire Station and Indian Motorcycle 'B'

Redevelopment Concept

The Redevelopment Concept treats the existing Indian Motorcycle “A” building, the adaptive reuse of the Mason Square Fire Station and the adaptive reuse of the Indian Motorcycle “B” building as a single project under single ownership. Such ownership will allow for a coordinated approach to parking and financing.

Currently, the City of Springfield owns the Fire Station and Indian Motorcycle “B”. Neither Indian Motorcycle “B” or the Fire Station have land available for parking. Indian Motorcycle “A” is under separate, private ownership. All of the properties are located in an urban renewal area. American International College has expressed an interest in owning all three properties as part of implementing its recently completed master plan. It should be noted that the AIC planned expansion may differ from the Redevelopment Concept presented herein; it could be an alternative redevelopment scenario focusing on an “institutional” re-use.

It should also be noted that the re-use of the Mason Square Fire Station as a replacement site for the Mason Square Library is also being evaluated. The Fire Station site, at first glance, seems promising for library re-use, but is problematic because of the lack of parking and the likely expense of remodeling a three-story historic building with a small and inefficient floor plate.

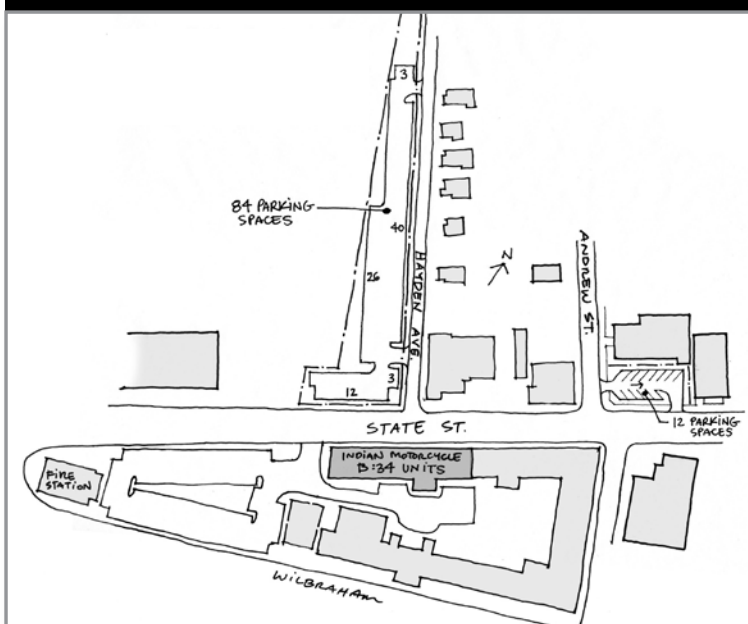
The Redevelopment Concept includes the adaptive reuse of Indian Motorcycle

“B” for 34 residential units. To qualify for historic tax credits, Indian Motorcycle “B” is assumed to be initially developed as a rental project. AIC students represent one target market for these units.

The Redevelopment Concept envisions the Fire Station with retail on the ground floor and AIC uses on the upper levels. The Fire Station becomes an anchor for Mason Square and a gateway to the AIC District.

Given this market positioning, the Target Redevelopment Project assumes a café on the ground floor of the Fire Station. Cafés offer an extended cycle of activity and can become valuable community gathering places. The AIC radio station would be an excellent tenant for upper-level space. Studies have found that the presence of a local radio station contributes significantly to the development

CONCEPT PLAN—TARGET REDEVELOPMENT
MASON SQUARE FIRE STATION &
INDIAN MOTORCYCLE ‘B’



of an entertainment district. “Broadcasting from Mason Square” radio exposure would greatly enhance Mason Square’s potential as a distinct urban retail/entertainment center.

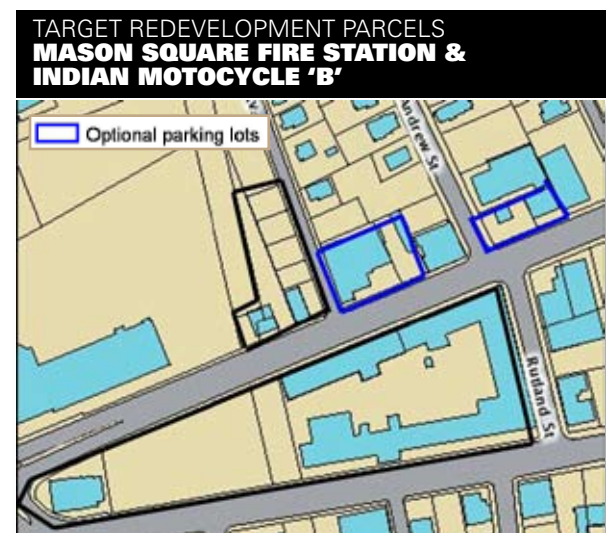
Parking for Fire Station and Indian Motorcycle “B” uses could be located on-street in Mason Square, in the surface lot behind the Fire Station (which currently serves Indian Motorcycle “A” residents), and/or in newly developed parking lots on the north side of State Street (see Concept Plan). A parking deck on the Indian Motorcycle “A” parking lot has been investigated by the City and deemed infeasible. Parking is a major redevelopment constraint, although it is somewhat mitigated in a single development scenario.

The City owns most of the parking land north of State Street on Hayden Avenue. However, six private parcels totaling slightly more than a half-acre must be acquired to provide proximate parking for the Target Redevelopment Project. Two separate owners control the private property. One owner controls two-thirds of the land to be acquired. The small commercial buildings on these properties would be demolished to provide visible parking proximate to the Indian Motorcycle residential units. With common ownership of the Fire Station, Indian Motorcycle “B” and Indian Motorcycle “A,” a portion of the parking for the Fire Station could be located behind the Fire Station building. (Retail tenants likely will require this parking.) Residential parking would be located on site and in parking lots on the north side of State Street.

The environmental condition of the Fire Station and Indian Motorcycle “B” could become a major redevelopment constraint. Because of its prior use as a motorcycle manufacturing facility, the

environmental condition of Indian Motorcycle “B” is of particular concern. Environmental testing will be required before the feasibility of adaptive reuse can truly be determined. The City of Springfield plans to initiate environmental site assessments of the Fire Station and Indian Motorcycle “B” this summer. For purposes of this analysis, it is assumed that the environmental conditions present in each of the buildings are manageable and can be mitigated using public funds. Redevelopment may not be feasible if environmental conditions cannot be ameliorated with public funds.

The Fire Station and the Indian Motorcycle “B” properties can be classified as “brownfield” sites. Both sites have been vacant for more than 20 years. There is state and federal money available to fund environmental testing and, potentially, environmental remediation of brownfield sites. The City may be able to leverage this funding to support the redevelopment effort.



SOURCE: CITY OF SPRINGFIELD; W-ZHA

Both the Mason Square Fire Station and Indian Motorcycle “B” properties are historic. The Fire Station is listed on the National Register of Historic Places and the Massachusetts State Register of Historic Properties. Therefore, state and federal historic tax credits are an important potential source of funding for this Target Redevelopment Project. Historic credits require that the buildings operate as rental property for at least five years. The credits will not apply to the costs of parking development (land acquisition, building demolition and parking construction).

Both properties are located in a census tract that qualifies for New Market Tax Credits. If 20 percent of the income generated from the combined operation of the Fire Station and Indian Motorcycle “B” is derived from commercial use, the Target Redevelopment Project will be eligible for New Market Tax Credit investment. To capitalize on this funding source, it is imperative that the Fire Station generate commercial rental income.

It is our understanding that Indian Motorcycle “A” utilized low-income housing tax credits to become financially feasible. Those may be a potential source of financing for the adaptive reuse of Indian Motorcycle “B.”

Beneficial occupancy of these landmark buildings (particularly the Fire Station) is critical to State Street’s revitalization. The Fire Station is currently a symbol of disinvestment. Transforming this property and removing the Indian Motorcycle vacancy will come to symbolize State Street’s rebirth and neighborhood progress and the revitalization of Mason Square.

Redevelopment Benefits

The redevelopment benefits of this project are that it would:

- Restore and preserve properties with social, architectural and historical value to the community.
- Remove the blight created by these highly visible, building vacancies in a highly visible commercial center.
- Create an anchor use to support the Mason Square retail and entertainment district.
- Create a gateway to the AIC campus and AIC District in a manner consistent with AIC’s master plan.
- Convert vacant tax-exempt properties into taxable uses with the potential to generate approximately \$192,800 per year in City property tax revenues.
- Attract and enable private investment because the City owns both the Fire Station and Indian Motorcycle “B.”
- Potentially leverage state and federal funding to realize private investment.

Redevelopment Feasibility

Base Case Scenario

Prior to construction, an illustrative range of development costs has been applied to the Fire Station (Figure 24) and the Indian Motorcycle “B” building (Figure 25). In July 2007, a state agency, MassDevelopment, commissioned a study to determine the adaptive reuse potential of the

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ILLUSTRATIVE RENOVATION COST ESTIMATE MASON SQUARE FIRE STATION BUILDING

Estimated Building Size (Gross Square Feet) 16,600
Rentable SF ^{/1} 8,300

Renovation Costs

	Low		High	
	/GSF	Total	/GSF	Total
Renovation Cost Building	\$205	\$3,403,000	\$230	\$3,818,000

1. Rentable square feet estimate from the "Mason Square Fire Station Adaptive Re-Use Study: Progress Draft Report", July 2007 by Arrowstreet.

Source: Arrowstreet, "Mason Square Fire Station Adaptive Re-Use Study: Progress Draft Report", July 2007; W-ZHA

Mason Square Fire Station⁴. As part of this study, a conceptual budget estimate was prepared for renovation of the building (see Figure 24). The estimated development costs herein reflect the study's conclusions—among them that the Fire Station is in relatively good condition for a building of its age. No major environmental issues were identified.

A detailed renovation cost estimate has not been conducted for the Indian Motorcycle "B" building.

⁴ "Mason Square Fire Station Adaptive Re-Use Study" prepared by Arrowstreet, 2007.

include costs associated with significant environmental mitigation. The environmental condition of Indian Motorcycle "B" is unknown.

In addition to building renovation costs, the feasibility analysis incorporates the costs associated with land assembly and building demolition. City property (the Fire Station, Indian Motorcycle "B," and parking land) is assumed to be conveyed to the private developer at a nominal cost.

Under the base case, retail rent is assumed to be \$10 per square foot per year for the 2,000 square feet of

Therefore, the Fire Station per-square-foot renovation cost estimates were used as a proxy for the Indian Motorcycle "B" building (see Figure 25). *The renovation cost estimates provided herein do not*

ground-level space in the Fire Station building. The Fire Station's upper-story space is assumed to rent at \$8 per square foot per

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ILLUSTRATIVE RENOVATION COST ESTIMATE INDIAN MOTORCYCLE 'B' BUILDING

Estimated Building Size (Gross Square Feet) 45,985
Rentable SF 37,400

Renovation Costs

	Low		High	
	/GSF	Total	/GSF	Total
Renovation Cost Building	\$205	\$9,427,000	\$230	\$10,577,000

Source: Arrowstreet, "Mason Square Fire Station Adaptive Re-Use Study: Progress Draft Report", July 2007; W-ZHA

year. Commercial rents are assumed to be triple net, with all operating and maintenance expenses passed through to the tenants.

Rental units in the Indian Motorcycle “B” building are projected to lease at \$1.35 per square foot per month or \$16.20 per square foot per year. Operating expenses are assumed to total 35 percent of gross income.

At these price points, the Fire Station and Indian Motorcycle “B” Target Redevelopment Project is infeasible from a private investor’s perspective; the return on cost of 4.46 percent to 4.92 percent is too low to justify the investment, as shown in Figure 26.

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**PRELIMINARY FINANCIAL FEASIBILITY
MASON SQUARE FIRE STATION & INDIAN MOTORCYCLE ‘B’ TARGET PROJECT
BASE SCENARIO**

Development Program					
Fire Station					
Estimated Building Size			16,600	sf	
Rentable Space			8,300	sf	
Required Parking Spaces			33	spaces	
Indian Motorcycle “B”					
Estimated Building Size			45,985	sf	
Rentable SF			37,400	sf	
Units			34	units	
Required Parking Spaces @ 1.5 Spaces per Unit			51	spaces	
Development Costs					
		Low		High	
Land & Property Acquisition Cost			\$611,000		\$705,000
Demolition		\$5	\$24,000	\$7	\$34,000
Development Cost Building	GSF				
Fire Station	16,600	\$205	\$3,403,000	\$230	\$3,818,000
Indian Motorcycle “B”	45,985	\$205	\$9,427,000	\$230	\$10,577,000
Sub-Total Building			\$12,830,000		\$14,395,000
Parking			\$211,000		\$211,000
Total Land, Demolition, Building, Parking			\$13,676,000		\$15,345,000
Operations					
Gross Income	Rentable SF	Rent /SF			
Retail	2,000	\$10.00	\$166,000		\$166,000
Office	6,300	\$8.00	\$50,400		\$50,400
Residential	37,400	\$16.20	\$605,880		\$605,880
Total Gross Income			\$822,280		\$822,280
Net Operating Income			\$599,402		\$599,402
Return-On-Cost (Net Operating Income/Total Development Cost)			4.38%		3.91%

Source: W-ZHA

Historic Tax Credits

Historic tax credits may be applied to a portion of the Target Project's development costs. They may be applied to building renovation costs, not land assembly and parking development. The scenario in Figure 27 illustrates the impact that the use of federal and state historic tax credits could have on the adaptive

reuse of the Fire Station and Indian Motorcycle "B" buildings. Tax credits are assumed to generate equity equivalent to 80 percent of their value.

Federal and state historic tax credits enhance the project's financial feasibility. It is important to note that the cost estimates do not include environmental mitigation costs.

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PRELIMINARY FINANCIAL FEASIBILITY MASON SQUARE FIRE STATION & INDIAN MOTORCYCLE 'B' TARGET PROJECT HISTORIC TAX CREDITS SCENARIO

Development Program					
Fire Station					
Estimated Building Size		16,600	sf		
Rentable Space		8,300	sf		
Required Parking Spaces		33	spaces		
Indian Motorcycle "B"					
Estimated Building Size		45,985	sf		
Rentable Space		37,400	sf		
Units		34	units		
Required Parking Spaces @ 1.5 Spaces per Unit		51	spaces		
Development Costs					
		Low		High	
Land & Property Acquisition Cost			\$611,000		\$705,000
Demolition		\$5	\$24,000	\$7	\$34,000
Development Cost Building	GSF				
Fire Station	16,600	\$205	\$3,403,000	\$230	\$3,818,000
Indian Motorcycle "B"	45,985	\$205	\$9,427,000	\$230	\$10,577,000
Sub-Total Building			\$12,830,000		\$14,395,000
Less: Historic Tax Credit ¹			\$4,105,600		\$4,606,400
Net Development Cost			\$8,724,400		\$9,788,600
Parking			\$211,000		\$211,000
Total Land, Demolition, Building, Parking			\$9,570,400		\$10,738,600
Operations					
		Rentable SF	Rent/SF		
Gross Income					
Retail		2,000	\$10.00	\$166,000	\$166,000
Office		6,300	\$8.00	\$50,400	\$50,400
Residential		37,400	\$16.20	\$605,880	\$605,880
Total Gross Income				\$822,280	\$822,280
Net Operating Income				\$599,402	\$599,402
Return-On-Cost (Net Operating Income/Total Development Cost)				6.26%	5.58%

1. Tax credit applied to building renovation costs only; 20 percent federal tax credit and 20 percent state tax credit assumed. Equity assumed to be 80 percent of tax credit value.

Source: W-ZHA

28

MASON SQUARE FIRE STATION & INDIAN MOTORCYCLE 'B'
TARGET REDEVELOPMENT PROJECT

CENSUS TRACTS 8014.01 AND 8017 NEW MARKET TAX CREDIT ELIGIBILITY

Census Tract	Poverty Rate	% of Benchmarked Median Family Income	Unemployment Rate	Qualifies Under Low-income Census Tract	Qualifies as Deeper-Distressed Census Tract
8014.01	37.6%	34.4%	9.6%	Yes	Yes
8017	18.8%	57.8%	7.1%	Yes	Yes

Source: National Development Council; W-ZHA

New Market Tax Credits

Under the scenario above, more than 20 percent of the Target Project's gross revenue and net operating income is derived from the Fire Station's commercial use. This level of commercial use makes the project eligible for New Market Tax Credits. The Mason Square Fire Station and Indian Motorcycle "B" Redevelopment Project is located in census tracts 8014.01 and 8017, both of which qualify as deeper distressed low-income census tracts under the New Market Tax Credit Program. The conditions within each census tract are summarized in Figure 28.

New Market Tax Credits are an important source of funding to support the project's feasibility. Given the development cost and revenue assumptions, the coupling of New Market Tax Credits and Historic Tax Credits makes the project worthy of private investment. It is important to note that the development costs assume that the project will not be responsible for funding the costs associated with environmental remediation. Figure 28 illustrates the tax credits' impact.

The return-on-cost threshold is satisfied if both Historic Tax Credits and New Market Tax Credits are employed. It is important to note that the project is only eligible for New Market Tax Credits if the Fire Station accommodates commercial uses that generate at least 20 percent of the project's annual income.

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PRELIMINARY FINANCIAL FEASIBILITY

**MASON SQUARE FIRE STATION & INDIAN MOTORCYCLE 'B' TARGET PROJECT
HISTORIC TAX CREDITS AND NEW MARKET TAX CREDITS SCENARIO****Development Program**

Fire Station		
Estimated Building Size	16,600	sf
Rentable Space	8,300	sf
Required Parking Spaces	33	spaces
Indian Motorcycle "B"		
Estimated Building Size	45,985	sf
Rentable Space	37,400	sf
Units	34	units
Required Parking Spaces @ 1.5 Spaces per Unit	51	spaces

Development Costs

		Low		High	
Land & Property Acquisition Cost			\$611,000		\$705,000
Demolition		\$5	\$24,000	\$7	\$34,000
Development Cost Building	GSF				
Fire Station	16,600	\$205	\$3,403,000	\$230	\$3,818,000
Indian Motorcycle "B"	45,985	\$205	\$9,427,000	\$230	\$10,577,000
Sub-Total Building			\$12,830,000		\$14,395,000
Less: Historic Tax Credit ¹			-\$4,105,600		-\$4,606,400
Net Development Cost			\$8,724,400		\$9,788,600
Parking			\$211,000		\$211,000
Total Land, Demolition, Building, Parking			\$9,570,400		\$10,738,600

Operations

	Rentable SF	Rent/SF		
Gross Income				
Retail	2,000	\$10.00	\$166,000	\$166,000
Office	6,300	\$8.00	\$50,400	\$50,400
Residential	37,400	\$16.20	\$605,880	\$605,880
Total Gross Income			\$822,280	\$822,280
Net Operating Income			\$599,402	\$599,402
Return-On-Cost (Net Operating Income/Total Development Cost)			6.26%	5.58%

1. Tax credit applied to building renovation costs only; 20 percent federal tax credit and 20 percent state tax credit assumed. Equity assumed to be 80 percent of tax credit value.

Target Redevelopment Project: The Eastern Gateway



facilities, retail uses, parking lots and underutilized properties. The proposed build-out program will create a continuous building edge along State Street from Cortland Street to the Roosevelt Avenue bridge, transforming a marginal pedestrian environment into an urban district.

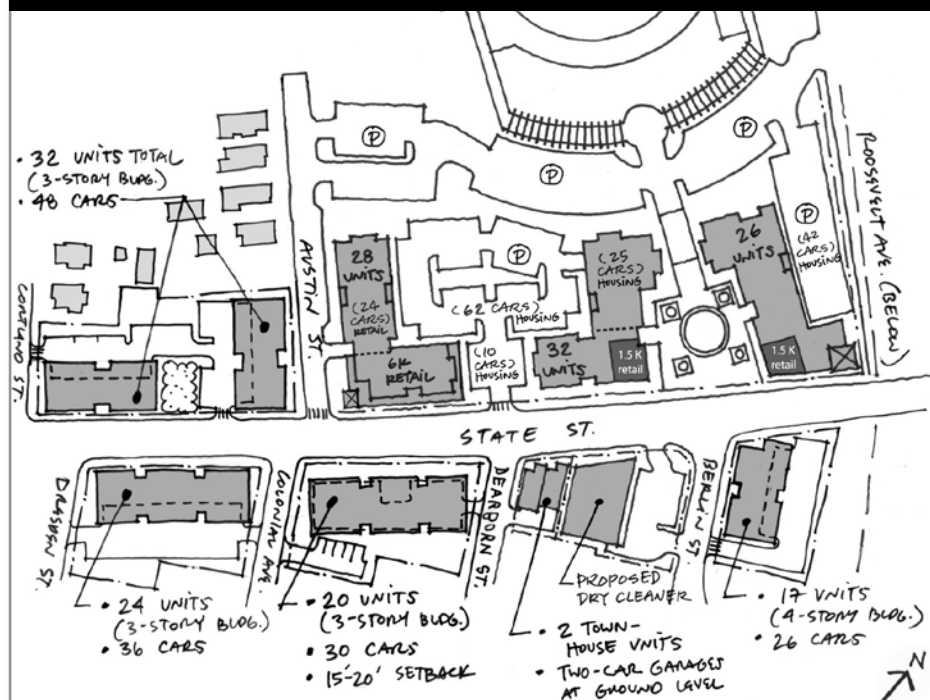
Redevelopment Concept

The Eastern Gateway Redevelopment Concept calls for the development of 181 market-rate residential units and 9,000 square feet of retail along both sides of State Street between Cortland Street and the Roosevelt Avenue bridge. The existing AIC athletic field complex will function as an amenity to the project. The project could offer home ownership opportunities for MassMutual and AIC employees who work within a couple of blocks of the project. The residents of the new housing will support existing and new retail development in the AIC District.

The Redevelopment Concept creates a critical mass of housing to replace a mix of vehicle-oriented sales and service establishments, storage

The redevelopment concept envisions a mix of three- and four-story residential buildings with surface parking. In addition, small rental retail spaces have been incorporated along State Street at the entry to the field complex. A pad site capable of accommodating a 5,000-square-foot retail building is also planned on the northeast corner of Austin and State streets.

TARGET REDEVELOPMENT PROJECT EASTERN GATEWAY—CONCEPT PLAN



The project likely will need to be implemented in phases of 50 to 70 residential units. To successfully rent market-rate housing in this location will require that the phases incorporate enough units to establish a distinctive place. The gateway entrance to the AIC fields would be the logical location for the first phase of development.

Ambitious in scale, the project involves assembling 18 properties incorporating approximately 4.8 acres. AIC owns approximately 30 percent of the project's land and the remaining 70 percent is privately held.

Redevelopment Benefits

The redevelopment benefits of this project are that it would:

- Increase neighborhood stability and provide the community with enhanced ownership opportunities.
- Benefit AIC, MassMutual, Putnam Vocational High School and other employers along the Corridor, providing the stability of productive employees living close by.
- Strengthen the linkage between the AIC District and the uses immediately east of the Benton Street intersection (MassMutual, Putnam Vocational, etc.).
- Expand the market for retail uses near AIC, thereby enhancing the sustainability of the AIC Commercial District just west of the Eastern Gateway.
- Improve the pedestrian environment in this portion of State Street.
- Leverage AIC assets (land and the athletic complex) to attract investment and effect positive change; and,

TARGET REDEVELOPMENT PARCELS AIC PARCELS



SOURCE: CITY OF SPRINGFIELD; W-ZHA

- At a market value of approximately \$30 million, the Eastern Gateway Redevelopment Project will generate approximately \$502,000 in annual property tax revenue to the City of Springfield.

Redevelopment Feasibility

Base Case Scenario

In addition to construction, the Eastern Gateway Project will require significant land assembly and demolition. For purposes of the illustrative financial analysis, it is assumed that the project will not have to bear the cost of acquiring AIC properties. AIC will be a primary beneficiary of the Eastern Gateway in that the project will create an attractive pedestrian environment at the entrance of the field complex; the retail in the project will serve students as well as the neighborhood; and owner-occupied units will stabilize this portion of State Street.

Private property will need to be assembled to support the Redevelopment Concept. The role of the public sector in land assembly is limited because the Eastern Gateway is not in an urban renewal area.

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PRELIMINARY FINANCIAL FEASIBILITY
EASTERN GATEWAY PROJECT
BASE CASE SCENARIO

<i>Development Program</i>				
Estimated Building Size			181,000	
Rentable Space			153,900	
Residential Units			181	
Parking Spaces			271	
Retail Gross Square Feet ¹			5,000	
Retail Rentable Square Feet			5,000	
<i>Development Cost</i>				
			Low	High
Land			\$2,342,000	\$2,703,000
Demolition	GSF	\$5	\$389,000	\$7
Development Cost Building	181,000	\$200	\$36,200,000	\$220
On-Site Parking			\$677,500	\$677,500
Total Land, Demolition, Building, On-Site Parking			\$39,608,500	\$43,745,100
<i>Operations</i>				
Gross Sales Revenue	Sale Price			
Residential	\$186 /sf		\$28,625,400	\$28,625,400
Retail Pad Site	\$400,000		\$400,000	\$400,000
Gross Sales Revenue			\$29,025,400	\$29,025,400
Net Sales Income			\$27,574,130	\$27,574,130
Return-On-Cost (Net Operating Income/Total Development Cost)			69.62%	63.03%
Subsidy Required To Achieve 20% Return			\$19,956,000	\$24,920,000
	Per Unit		\$110,000	\$138,000

1. For clarity purposes assumed 3,000 square feet of rental retail space does not significantly impact project economics. Therefore, rental retail space is not included in illustrative for-sale financing model.

Source: W-ZHA

The cost to develop new, stick-built residential is assumed to range from \$200 to \$220 per gross square foot (exclusive of parking). Market prices cannot cover development costs, much less cover land costs and developer profit.

The residential market analysis identified the maximum price point for State Street as \$185 per square foot, affordable to households earning 110 percent of area median income. This means that a subsidy is required even before the consideration of developer profit.

The illustrative financial analysis in Figure 30 assumes for-sale units. An industry average return threshold for for-sale products is 20 percent. In other words, if it costs \$100,000 to develop a unit, net sale proceeds for the unit must be at least \$120,000 to attract a private developer. The 20 percent return threshold was used to calculate the baseline subsidy required to implement the Eastern Gateway Project.

The base case scenario illustrates the significant challenge posed by market-rate housing development on State Street and in Springfield. Because for-sale housing price points on State Street are lower than development costs, subsidies of more than \$100,000 per unit (\$110,000 to \$138,000) are required to attract a developer to undertake the Eastern Gateway project. Attracting private investment requires a return-on-cost threshold of 120 percent; the project generates a return on cost of less than 70 percent.

Nonprofit Development Entity

One way to reduce the subsidy required to implement the Eastern Gateway Target Redevelopment Project is to have a nonprofit entity serve as developer. Rather than a 20 percent return on development costs, the nonprofit will require just enough return to cover market risk and project administration. A 5 percent return on development has been assumed under the nonprofit-entity scenario shown in Figure 31. Having a nonprofit developer reduces the subsidy required to \$77,000 to \$110,000 per unit.

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PRELIMINARY FINANCIAL FEASIBILITY EASTERN GATEWAY PROJECT NONPROFIT DEVELOPER SCENARIO

Development Program					
Estimated Building Size			181,000	square feet	
Rentable Space			153,900	square feet	
Residential Units			181	units	
Parking Spaces			271	spaces	
Retail Gross Square Feet ¹			5,000	square feet	
Retail Rentable Square Feet			5,000	square feet	
Development Cost					
			Low		High
Land			\$2,342,000		\$2,703,000
Demolition	GSF	\$5	\$389,000	\$7	\$544,600
Development Cost Building	181,000	\$200	\$36,200,000	\$220	\$39,820,000
On-Site Parking			\$677,500		\$677,500
Total Land, Demolition, Building, On-Site Parking			\$39,608,500		\$43,745,100
Operations					
Gross Sales Revenue	Sale Price				
Residential	\$186 /sf		\$28,625,400		\$28,625,400
Retail Pad Site	\$400,000		\$400,000		\$400,000
Gross Sales Revenue			\$29,025,400		\$29,025,400
Net Sales Income			\$27,574,130		\$27,574,130
Return-On-Cost (Net Operating Income/Total Development Cost)			69.62%		63.03%
Subsidy Required To Achieve 5% Return			\$14,015,000		\$18,358,000
	Per Unit		\$77,000		\$101,000

1. It is assumed that 3,000 square feet of rental retail space would not significantly impact project economics. Therefore, rental retail space is not included in illustrative for-sale financing model.

Source: W-ZHA

HUD Section 108

HUD Section 108 funds may be applied to land assembly and preparation costs. If the City covers land assembly and site preparation costs, the development costs (and risk) are reduced. HUD Section 108 funding may be a source for the City's subsidy. Assuming a nonprofit development entity and City subsidy, the subsidy required decreases to between \$62,000 and \$83,000 per unit, as shown in Figure 32.

To implement a market-rate, for-sale project on State Street still will require additional incentives to support the production of new housing affordable to the average Springfield household. Springfield incomes are significantly lower than those in the Boston Metropolitan Area, yet the City's development costs are the same. Without additional public-sector financial support, it is unlikely that new, market-rate housing will be developed on State Street in the foreseeable future.

32

PRELIMINARY FINANCIAL FEASIBILITY EASTERN GATEWAY PROJECT NONPROFIT DEVELOPER/HUD SECTION 108 SCENARIO

Development Program				
Estimated Building Size		181,000	square feet	
Rentable Space		153,900	square feet	
Residential Units		181	units	
Parking Spaces		271	spaces	
Retail Gross Square Feet ^{/1}		5,000	square feet	
Retail Rentable Square Feet		5,000	square feet	
Development Cost				
		Low		High
Land		\$0		\$0
Demolition		\$0		\$0
	GSF			
Development Cost Building	181,000	\$200	\$36,200,000	\$220 \$39,820,000
On-Site Parking			\$677,500	\$677,500
Total Land, Demolition, Building, On-Site Parking			\$36,877,500	\$40,497,500
Operations				
Gross Sales Revenue	Sale Price			
Residential	\$186 /sf		\$28,625,400	\$28,625,400
Retail Pad Site	\$400,000		\$400,000	\$400,000
Gross Sales Revenue			\$29,025,400	\$29,025,400
Net Sales Income			\$27,574,130	\$27,574,130
Return-On-Cost (Net Operating Income/Total Development Cost)			74.77%	68.09%
Subsidy Required To Achieve 5% Return			\$11,147,000	\$14,948,000
	Per Unit		\$62,000	\$83,000

1. It is assumed that 3,000 square feet of rental retail space would not significantly impact project economics. Therefore, rental retail space is not included in illustrative for-sale financing model.

Source: W-ZHA

Having new market-rate housing available in the City's marketplace is important from an economic development standpoint. New housing offers state-of-the art technology and space planning that reflects today's lifestyles. If new housing is not available to households moving into or within the City of Springfield that prefer new product, these households will not be able to live in the City. From a sustainable economy perspective, it is imperative that a full complement of housing types be available to satisfy the tastes and preferences of the City's existing and potential households.

Employer-Assisted Housing Program

MassMutual, Baystate Health, AIC and Springfield College are participating in an Employer-Assisted Housing program administered by Springfield Neighborhood Housing Services. The program targets the State Street Corridor and the City's North End. These employers have agreed to provide between \$5,000 and \$10,000 each to employees interested in purchasing a home in the two target areas. Employees must have incomes at or below 110 percent of the area median income. The Massachusetts Department of Housing and Community Development will match the employer contribution, and the state has committed up to \$150,000 to this program this year.

Assuming an average employer contribution of \$7,500 per unit and a matching state contribution, this program produces an average purchase incentive of \$15,000 per unit. Assuming additional public-sector subsidy can be obtained to make the project feasible from a developer's perspective, the employer-assisted program will reduce the project's market risk.

Target Redevelopment Project: **Aquarius Banquet Hall Property (1219 State Street)**



The Aquarius Banquet Hall at the corner of State and Benton

Redevelopment Concept

The Aquarius Banquet Hall is located at a prominent retail location at 1219 State Street, on a 0.7-acre parcel. The nightclub is seldom open nights, during its normal business hours, and is closed most days. The current property owner should be encouraged to reactivate the building's use and/or consider redevelopment.

The redevelopment concept envisions a restaurant, full-service coffeehouse and/or other retail/service uses on this site. This corner of State and Benton streets across from MassMutual is well-positioned for restaurant use. A full-service restaurant at this location could take advantage of strong traffic volumes on State and Benton as well as the 3,800 employees at MassMutual. If such a restaurant could attract employees during the morning, afternoon and evening, it could act as a “bridge” between State Street uses and MassMutual.

Redevelopment Benefits

The redevelopment benefits of this project are that:

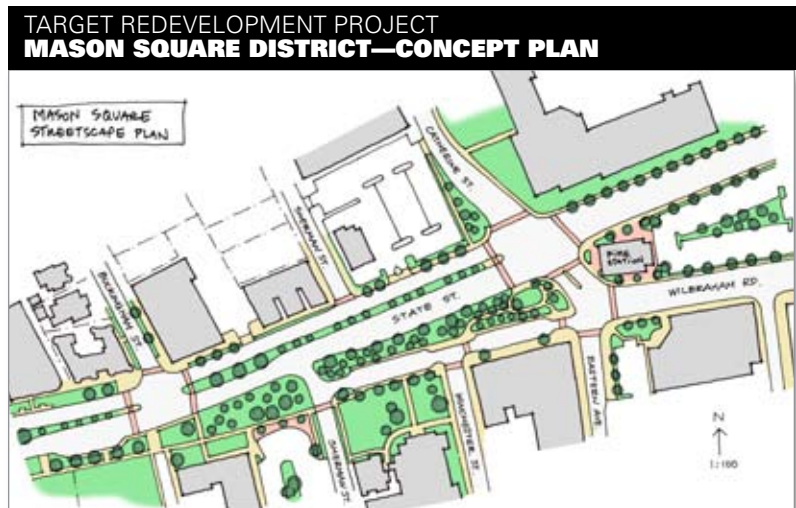
- The reuse or redevelopment of this building/parcel will activate this important gateway corner to State Street.
- A successful operation will draw MassMutual employees and, possibly, neighborhood residents and students to this portion of State Street.
- A viable business at this location will enliven the street and improve an underutilized property.
- Assuming that the full utilization of this property increases its assessed value from approximately \$500,000 to \$600,000, the City will receive \$3,000 more in annual property tax revenues from this property.

Implementation

The current owner should be approached to discuss potential uses of this property that would intensify its use. If the owner is willing, the property should be repositioned for more active uses or possibly marketed to restaurant operators.

Target Districts: Mason Square Retail & Entertainment District and AIC Commercial District

As evidenced by the market analyses and the Target Redevelopment Projects, there is the potential to attract new retail investment to State Street. There is also an opportunity to improve and reposition existing investments. With an understanding of market potential and with public-sector support, existing building and business owners have a substantial role to play in State Street's revitalization. This is particularly true in the Mason Square and AIC districts.



Each of these State Street target districts has the potential to occupy a unique market niche. With a clear understanding of the role and function of each district and its target markets, property owners can target those tenants that would best satisfy the market. A more targeted tenant mix strengthens the market position of the district. This in turn creates an “agglomeration” economy, in which same store-type tenants compete. But because they are co-located, they increase their market drawing power; the “pie” is bigger.

Mason Square Entertainment & Retail District

Revitalization Concept

Mason Square serves as a neighborhood center and a gateway to AIC, Springfield College and Western New England College. The square's configuration, with a central “green” and wide sidewalks, makes it compact and walkable; it is certainly not a commercial corridor zone like so much of State Street. Mason Square currently functions with a

mix of service, retail and office uses. There is very little vacancy, with the notable exception of the Fire Station. Because the tenant mix is so disparate, however, there is little vitality or activity in the district today.

The Redevelopment Concept repositions Mason Square as an entertainment and retail center as well as the hub of an “educational corridor.” With a café on the ground floor of the Fire Station and two small, independently operated full-service restaurants in the 811-to-827 block of State Street, an 18-hour business cycle can exist in Mason Square. Students, trade area residents and Corridor employees are target markets. Specialty retail, such as the existing Source of New York apparel store, needs to complement the eating and drinking establishments. Mason Square's current function as a neighborhood center would be maintained and enhanced as a result of the square's broader market appeal.

With a concentration of both educational and social institutions nearby, Mason Square could become the hub of an education corridor. Through communication and coordination among the

various educational and social institutions there may be an opportunity to leverage more institutional investment in and near the square. This investment could expand market opportunities and further strengthen Mason Square's role as a community center.

The Mason Square District is generally defined as lying between Buckingham and Hayden streets on the north side of State Street and between Buckingham and Colton streets on the south side of State. Major uses include the Urban League, the Seventh Day Adventist Church, the Fire Station, the Early Childhood Center of Springfield and the C-Town Shopping Center. There are a number of small tenants in the C-Town center and the 811-to-827 block of State Street.

Implementing the Redevelopment Concept will require working with current property owners and potential tenants. Incentives such as low-interest façade improvement loans can be structured to improve the physical condition of buildings.

Redevelopment Benefits

The redevelopment benefits of this project are that:

- The preservation and revitalization of Mason Square likely would be the most visible symbol of State Street's and the community's revitalization. Mason Square is, and historically has been, a community meeting place on State Street. As such, it is a place that matters—a cultural resource.
- This initiative benefits existing property owners and land uses.
- Revitalization of Mason Square's Fire Station is important from a historical preservation standpoint.
- As a retail and entertainment district, Mason

Square has the potential to serve a variety of markets, from nearby residents to college students and employees. Such a diversity of users should make it an important City resource.

- A number of stakeholders are committed to Mason Square's revitalization, including the City, the community, social service organizations, the Urban League, AIC and Springfield College. Successful revitalization will generate significant spin-off benefits for all of these stakeholders.

American International College District

Revitalization Concept

The American International College District is generally understood to occupy the north side of State Street between Hayden and Cortland streets. This area contains two small retail centers (State Street Plaza at 870-880 State and the Banknorth shopping center at 942-958 State), a post office, surface parking lots and stand-alone businesses. The land uses in this district are disparate, with one mixed-use building (886-892 State Street). Almost all of the buildings are in need of façade improvements.

The revitalization concept is to improve the physical appearance and functional efficiency of land uses and businesses in this district. A "facelift" would



benefit the existing retail uses as well as AIC. Supporting existing business owners through educational programs and attractive financing could make the district more competitive from a retail and service perspective. Over the longer term, the revitalization could occur with the development of new retail and service uses to serve AIC students and the neighborhood. City incentives likely will be necessary to encourage existing property owners to bring their properties up to today's standards.

Revitalization Benefits

The redevelopment benefits of this project are that:

- This initiative supports existing property owners and businesses.
- The revitalization of the AIC District should be of benefit to AIC, a major institutional anchor on State Street.

Revitalization Tools: Mason Square and the AIC District

Façade Improvement Loans

A low-interest façade improvement loan program could stimulate private investment in State Street's commercial properties. Attractive building façades will improve State Street's appearance, making it more attractive to patrons and potential investors. Low-interest façade improvement loans are also important to current owners and tenants who may have limited access to capital. This program should be targeted to the Mason Square District and the AIC District.

Small-Business Loan Funds—"Grow Springfield Fund"

Existing and new businesses need capital to start up and/or expand. One way to encourage small-business development and support successful small businesses is to provide access to capital at reasonable interest rates. As envisioned by the "Grow Springfield Fund," such capital would be available to businesses located in underserved urban areas such as State Street, as well as to businesses with minority and/or women owners. For the Mason Square District and the AIC District to evolve into more than retail service and convenience centers, unique independent businesses, shops and restaurants will be needed to draw from the larger marketplace.

Technical Assistance Programs

Technical assistance programs educate and support prospective business owners in all aspects of business start up, including government licensing and permitting, employee requirements, capitalization expectations, bookkeeping, scheduling, and marketing and competition considerations. These programs can provide assistance in business plan preparation, evaluation of financing needs and the identification of potential sources of financing. These programs also can provide advice on market opportunities and appropriate marketing strategies. Such a program targeted to State Street should be pursued with the possible involvement/ sponsorship of one or more of the local colleges.

The State Street Corridor is the principal east-west urban thoroughfare serving the City of Springfield.

Conclusion

State Street blends cultural, governmental, educational, religious, office, retail, service and residential uses. Its appearance and vitality reflect the City's overall economic health. This program identifies near-term commercial and residential development opportunities that hold the potential to transform the form and function of State Street. Few of these opportunities, however, can be capitalized upon without innovative financing techniques.

New market tax credits will be a valuable source of funding for commercial development projects along State Street, and *historic tax credits* may support the adaptive reuse of the Corridor's historic buildings. The full arsenal of *public financing incentives* will likely need to be deployed to support development on State Street.

There is market potential for new market-rate housing development on State Street. Given the high cost of construction, however, public subsidy will be required to bring this housing within the means of the average Springfield household. There are scarce public resources available to support development of market-rate (as opposed to affordable or low-income) housing. The City of Springfield needs to work closely with state and federal officials to develop programs targeted to the production of new market-rate hous-

ing for Springfield households. Housing is an integral part of a healthy mixed-use environment and a key to the overall success of the corridor.

Despite the challenges that exist, the Corridor holds considerable potential and offers multiple development opportunities that, with strong City leadership and state and federal support, can revitalize State Street and strengthen it as an economic development asset. Achieving the appropriate balance among competing demands is the principal challenge in designing a revitalized State Street as an urban thoroughfare that unites and serves the entire Springfield community and the diverse neighborhoods that make up the Corridor.

The redevelopment program is designed to establish the State Street Corridor as a significant economic asset, to strengthen adjoining residential neighborhoods and institutions, and to create an attractive boulevard experience that will complement the substantial infrastructure enhancement project that soon will be under way.

